

NOURISHING HOPE

Financial Statements
With Independent Auditors' Report

March 31, 2024

NOURISHING HOPE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nourishing Hope
Chicago, IL

Opinion

We have audited the accompanying financial statements of Nourishing Hope, which comprise the statement of financial position as of March 31, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Nourishing Hope as of March 31, 2024, 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. Our responsibilities under those standards are further described in the *Auditors' 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 within one year after the date that the financial statements are available to be issued.

Board of Directors
Nourishing Hope
Chicago, IL

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Capin Crouse LLP

Naperville, Illinois
October 18, 2024

NOURISHING HOPE

Statement of Financial Position

March 31, 2024

ASSETS:

Cash and cash equivalents	\$ 4,334,866
Investments	1,007,719
Inventory	550,466
Prepaid expenses and other assets	224,755
Accounts receivable	30,543
Promises to give	31,033
Property and equipment, net	3,330,593
Right-of-use assets - leases, net	<u>1,196,470</u>

Total Assets \$ 10,706,445

LIABILITIES AND NET ASSETS:

Accounts payable and accrued expenses	\$ 213,426
Operating lease liabilities	<u>1,219,053</u>
Total liabilities	<u>1,432,479</u>

Net assets:

Without donor restrictions	9,079,337
With donor restrictions	<u>194,629</u>
Total net assets	<u>9,273,966</u>

Total Liabilities and Net Assets \$ 10,706,445

See notes to financial statements

NOURISHING HOPE

Statement of Activities

For the Year Ending March 31, 2024

	<u>Without Donor Restrictions</u>	<u>Without Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Contributions and grants	\$ 7,385,287	\$ 300,000	\$ 7,685,287
In-kind contributions - donated food	10,791,364	-	10,791,364
Government grants	1,018,888	-	1,018,888
Events, net of costs	728,594	-	728,594
Interest income	166,424	-	166,424
Miscellaneous	141,467	-	141,467
Net assets released from restrictions	105,371	(105,371)	-
Total Support and Revenue	<u>20,337,395</u>	<u>194,629</u>	<u>20,532,024</u>
EXPENSES:			
Program services:			
Food program	16,200,908	-	16,200,908
Supporting activities:			
Management and general	1,688,239	-	1,688,239
Fundraising	1,233,507	-	1,233,507
Total Expenses	<u>19,122,654</u>	<u>-</u>	<u>19,122,654</u>
Change in Net Assets	1,214,741	194,629	1,409,370
Net Assets, Beginning of Year	<u>7,864,596</u>	<u>-</u>	<u>7,864,596</u>
Net Assets, End of Year	<u>\$ 9,079,337</u>	<u>\$ 194,629</u>	<u>\$ 9,273,966</u>

See notes to financial statements

NOURISHING HOPE

Statement of Functional Expenses

Year Ended March 31, 2024

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
Food	\$ 10,996,357	\$ -	\$ -	\$ 10,996,357
Salaries & benefits	3,409,543	729,929	672,189	4,811,661
Insurance	57,416	7,344	2,003	66,763
Travel and meals	34,796	22,920	160,314	218,030
Facilities & occupancy	975,146	124,728	34,017	1,133,891
Membership & subscriptions	25,420	107,235	49,607	182,262
Supplies	187,633	49,419	24,676	261,728
Banking fees	-	88,877	-	88,877
Professional fees	38,145	457,065	206,488	701,698
Depreciation	441,899	56,522	15,414	513,835
Other	34,553	44,200	68,799	147,552
Total	\$ 16,200,908	\$ 1,688,239	\$ 1,233,507	\$ 19,122,654

See notes to financial statements

NOURISHING HOPE

Statement of Cash Flows

For the Year Ended March 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,409,370
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	513,835
Gain on investments	(15,601)
Loss on disposal of property and equipment	22,940
Changes in operating assets and liabilities:	
Inventory	(194,480)
Prepaid expenses and other assets	(65,644)
Promises to give	57,484
Other receivables	39,458
Accounts payable and accrued expense	(15,636)
Net change in operating lease asset and liability	(144,150)
Net Cash Provided by Operating Activities	<u>1,607,576</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(98,547)
Proceeds from sale of property and equipment	24,000
Purchase of investments	(992,118)
Net Cash Used by Investing Activities	<u>(1,066,665)</u>

Change in Cash and Cash Equivalents	540,911
Cash and Cash Equivalents, Beginning of Year	<u>3,793,955</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,334,866</u>

SUPPLEMENTAL DISCLOSURES:

Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 214,516</u>
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See notes to financial statements

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

1. NATURE OF ORGANIZATION:

Nourishing Hope (the Organization), formally known as The Lakeview Pantry, 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 Organization serves hundreds of thousands of people throughout Chicago per year with millions of meals, in addition to free mental health and social services. The Organization's mission is to nourish hope through food, mental health, and social services so that all of their neighbors can thrive. The primary source of the Organization's revenues is contributions and sponsorships from the general public, corporations, and religious organizations. Inventory is primarily donated through the Greater Chicago Food Depository, large grocers, and various organizations.

Nourishing Hope is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Contributions to Nourishing Hope are tax deductible within the limitations prescribed by the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Organization have been prepared on the accrual basis of accounting. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

The Organization considers cash and cash equivalents to consist of checking, savings accounts, and money market accounts. At March 31, 2024, the Organization's cash balances exceeded federally insured limits by \$84,794.

INVESTMENTS

Investments in securities with readily determinable fair values are recorded at fair value with gains and losses reported in the statement of activities. Dividends and interest income and realized and unrealized gains and losses are included in investment income without donor restrictions unless a donor or law restricts their use.

INVENTORY

Inventory consists primarily of donated food items that are held for distribution within the Organization's food pantry operations. As the items are donated to the Organization and are further donated to individuals, rather than sold, they are recorded at the fair market value per pound of food (refer to the donated materials and services accounting policy below). Inventory is counted at the end of each year and any items determined to be spoiled are excluded from the inventory asset. An allowance for spoiled food is not recorded.

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, or if donated, at estimated fair value on the date of the gift. It is the policy of the Organization to capitalize all individual fixed assets with costs greater than \$1,000 and expense lesser amounts in the year purchased. Depreciation is computed on the straight-line basis over estimated useful lives of the related assets, which range from five to forty years.

OPERATING LEASE-RIGHT OF USE ASSETS AND OBLIGATIONS

Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Right-of-use assets and related liabilities are recognized at commencement date based on the net present value of lease payments over the lease term discounted using a risk-free rate. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The additional lease disclosures can be found in Note 7.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those available under the direction of the Board for use in the Organization's operations.

Net assets with donor restrictions are those contributed with donor stipulations for specific operating purposes or programs.

SUPPORT, REVENUE, AND EXPENSES

Contributions are reported as income when made, which may be when cash is received, unconditional promises to give are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Government grant revenue consists of funding received under contracts from various government agencies. Revenue is recognized as income under government contracts based on their respective terms. Government contracts are primarily conditional contributions which are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other contract requirements have been met). Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Program fees and other income are recorded when earned. Expenses are recorded when incurred.

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DONATED MATERIALS

The Organization receives donations of food for use in its pantry programs. Such gifts are recorded at their estimated fair market value at the date of donation. These amounts are included in gift-in-kind income and program expenses in the statement of activities.

For the year ended March 31, 2024, gift-in-kind contributions recognized within the statement of activities included \$10,791,364. Contributions of food are distributed as part of the food pantry program activities in the year received with the exception of the food remaining in the inventory balance as of March 31, 2024.

Donated food items are valued based on a price per pound of \$2.00 based on recent national studies of wholesalers' prices.

FUNCTIONAL ALLOCATION OF EXPENSES

All expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been allocated on a functional basis, determined by level of support effort and relative program benefited. The expenses that are allocated include insurance, facilities & occupancy, and depreciation, which are allocated on a square footage basis, as well as salaries & benefits, which are allocated on the basis of estimates of time and effort.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. On April 1, 2023, the Organization adopted the guidance prospectively with no cumulative adjustment to net assets needed. There was no impact to the financial statements as a result of the adoption.

3. INVESTMENTS:

Investments consist of the following at March 31, 2024:

At fair value:

U.S. Treasury Bills	\$ 1,007,719
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NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

4. FAIR VALUE DISCLOSURES:

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs indicate there is a quoted market price available for identical assets. Level 2 inputs indicate there are observable inputs other than quoted market prices. Level 3 inputs are unobservable inputs and have the lowest priority and are only used when Level 1 or Level 2 inputs are not available and indicate there are not readily available market prices.

Fair value of investments at March 31, 2024, measured on a recurring basis is as follows:

		Fair Value Measurements Using		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Bills	\$ 1,037,719	\$ 203,055	\$ 834,664	\$ -

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

The fair value of U.S. Treasury bills considered "on the run" are based on quoted market prices and other relevant information generated by market transactions.

Level 2 Fair Value Measurements

The fair value of U.S. Treasury bills that are not considered "on the run" are based on yields currently available on comparable securities with similar credit ratings.

5. PROPERTY AND EQUIPMENT, NET:

Land, buildings, and equipment consists of the following as of March 31, 2024:

Land and improvements	\$ 337,221
Buildings and improvements	2,578,480
Leasehold improvements	1,454,215
Furniture, fixtures and equipment	969,028
Vehicles	193,408
	<u>5,532,352</u>
Less accumulated depreciation	<u>(2,201,759)</u>
	<u>\$ 3,330,593</u>

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

6. LINE OF CREDIT:

The Organization has an unsecured bank line of credit with a maximum limit of \$500,000 and that has no specified maturity date. The annual interest rate on the line of credit is 8.6% as of March 31, 2024. As of March 31, 2024, no amounts were drawn against this line of credit.

7. OPERATING LEASES:

The Organization has four operating leases of facilities and vehicles with various expiration dates through the year ending October 2029. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases requires monthly payments ranging from \$2,935 to \$22,360. Total expenses incurred under the operating lease for the year ended March 31, 2024, was \$482,714.

	<u>March 31,</u> <u>2024</u>
Operating lease right-of-use assets	\$ 1,196,470
Operating lease liabilities	\$ 1,219,054
Operating lease costs	\$ 482,714
Weighted-average discount rate	3.21%
Weighted-average remaining lease term	3.29 years

Future minimum lease payments required under the operating leases are as follows:

<u>Year Ending March 31,</u>	
2025	\$ 452,015
2026	366,527
2027	272,235
2028	70,789
2029	70,789
Thereafter	65,033
	<u>1,297,388</u>
Less imputed interest	<u>(78,334)</u>
	<u>\$ 1,219,054</u>

8. RELATED PARTY:

The Organization received cash contributions of \$311,000 from members of the Board for the year ended March 31, 2024.

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

9. DONOR RESTRICTED NET ASSETS:

Donor restricted net assets consist of the following as of March 31, 2024:

Capacity Building	\$ 194,629
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10. REVENUE CONCENTRATIONS:

During the year ended March 31, 2024, three donors accounted for approximately 75% of total gift-in-kind contributions.

During the year ended March 31, 2024, three donors accounted for approximately 23% of total contributions and grants.

11. RETIREMENT PLAN:

The Organization sponsors a defined contribution retirement plan allowed under Internal Revenue Code section 403(b). The plan allows for employees to participate in the plan through salary reductions. The Organization's contribution and cost is determined based on matching each employee's contribution up to 3%. For the year ended March 31, 2024, the Organization made contributions of \$91,720.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Organization's financial assets as of March 31, 2024, reduced by amounts not available for general use within one year of the statement of financial position date due to donor-imposed restrictions.

Financial assets:

Cash and cash equivalents	\$ 4,334,866
Investments	1,007,719
Accounts receivable	30,543
Promises to give	31,033
Financial assets at year-end	<u>5,404,161</u>
Less those unavailable for general expenditures within on year, due to:	
Donor-imposed purpose restrictions	<u>(194,629)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,209,532</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Organization's liquidity management, the Organization invests any cash in excess of annual funding requirements in a short-term investment account. The funds are immediately available to fund operating and funding requirements.

NOURISHING HOPE

Notes to Financial Statements

March 31, 2024

13. CONDITIONAL CONTRIBUTION:

During the year ended March 31, 2024, the Organization received a \$1,000,000 grant from a donor, with an initial payment of \$300,000 recognized as restricted revenue. The donor made payment of the remaining \$700,000 conditional upon their satisfaction with progress made on the project. The Organization determined this condition represented a barrier to revenue recognition and as such, no revenue or receivables have been recognized as of March 31, 2024, for the remaining payments.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 18, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.