

Growing Hope, Inc.
(a nonprofit Michigan corporation)
Ypsilanti, Michigan

Financial Statements

December 31, 2022 and 2021



Growing Hope, Inc.

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Independent Auditors' Report

To the Board of Directors
Growing Hope, Inc.
Ypsilanti, Michigan

Opinion

We have audited the accompanying financial statements of Growing Hope, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits 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 Growing Hope, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Growing Hope, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

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

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

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

Altruic Advisors, CPAs
Certified Public Accountants

Ann Arbor, Michigan
June 14, 2023

Growing Hope, Inc.

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 448,171	\$ 321,988
Accounts receivable	11,766	5,526
Pledges and grants receivable, net	201,119	220,091
Prepaid expenses	3,133	-
Total current assets	<u>664,189</u>	<u>547,605</u>
Property and Equipment, net	<u>1,164,105</u>	<u>1,222,028</u>
Total assets	<u>\$ 1,828,294</u>	<u>\$ 1,769,633</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,716	\$ 9,677
Accrued payroll and payroll taxes	17,570	22,468
Funds held for others	14,847	16,505
Accrued interest	170	2,170
Note payable, current portion	3,660	3,578
Total current liabilities	<u>40,963</u>	<u>54,398</u>
Long-Term Liabilities		
Note payable, net of current portion	<u>144,636</u>	<u>146,422</u>
Total liabilities	<u>185,599</u>	<u>200,820</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>1,299,971</u>	<u>1,260,862</u>
Total without donor restrictions	<u>1,299,971</u>	<u>1,260,862</u>
With donor restrictions	<u>342,724</u>	<u>307,951</u>
Total net assets	<u>1,642,695</u>	<u>1,568,813</u>
Total liabilities and net assets	<u>\$ 1,828,294</u>	<u>\$ 1,769,633</u>

The accompanying Notes are an integral part of these financial statements

Growing Hope, Inc.

Statement of Activities

Year ended December 31, 2022

	Without donor Restrictions	With donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 271,236	\$ 457,072	\$ 728,308
Special events sponsorships and donations	34,397	-	34,397
In-kind contributions - special events	18,633	-	18,633
In-kind contributions	5,006	-	5,006
Net assets released from restrictions			
Satisfaction of purpose restrictions	202,208	(202,208)	-
Expiration of time restrictions	220,091	(220,091)	-
Total operating support	<u>751,571</u>	<u>34,773</u>	<u>786,344</u>
Operating Revenue			
Rental income	69,445	-	69,445
Program revenue	47,764	-	47,764
Special event, net of expenses	(4,302)	-	(4,302)
Total operating revenue	<u>112,907</u>	<u>-</u>	<u>112,907</u>
 Total operating support and revenue	<u>864,478</u>	<u>34,773</u>	<u>899,251</u>
Operating Expenses			
Program services	596,314	-	596,314
Supporting services			
General and administrative	76,430	-	76,430
Fundraising	152,735	-	152,735
Total supporting services	<u>229,165</u>	<u>-</u>	<u>229,165</u>
 Total operating expenses	<u>825,479</u>	<u>-</u>	<u>825,479</u>
 Total operating support and revenue in excess of operating expenses	<u>38,999</u>	<u>34,773</u>	<u>73,772</u>
Other Changes			
Other revenue	980	-	980
Interest income	855	-	855
Loss on disposition of equipment	(1,725)	-	(1,725)
Total other changes	<u>110</u>	<u>-</u>	<u>110</u>
 Change in Net Assets	<u>39,109</u>	<u>34,773</u>	<u>73,882</u>
 Net Assets, Beginning of Year	<u>1,260,862</u>	<u>307,951</u>	<u>1,568,813</u>
 Net Assets, End of Year	<u>\$ 1,299,971</u>	<u>\$ 342,724</u>	<u>\$ 1,642,695</u>

The accompanying Notes are an integral
part of these financial statements

Growing Hope, Inc.

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 717,792	\$ 461,170	\$ 1,178,962
In-kind contributions	10,871	-	10,871
Special event sponsorships and donations	45,382	-	45,382
Net assets released from restrictions			
Satisfaction of purpose restrictions	216,274	(216,274)	-
Expiration of time restrictions	43,790	(43,790)	-
Total operating support	<u>1,034,109</u>	<u>201,106</u>	<u>1,235,215</u>
Operating Revenue			
Program revenue	63,326	-	63,326
Rental income	56,895	-	56,895
Special event, net of expenses	3,027	-	3,027
Total operating revenue	<u>123,248</u>	<u>-</u>	<u>123,248</u>
 Total operating support and revenue	<u>1,157,357</u>	<u>201,106</u>	<u>1,358,463</u>
Operating Expenses			
Program services	641,584	-	641,584
Supporting services			
General and administrative	80,916	-	80,916
Fundraising	96,117	-	96,117
Total supporting services	<u>177,033</u>	<u>-</u>	<u>177,033</u>
 Total operating expenses	<u>818,617</u>	<u>-</u>	<u>818,617</u>
 Total operating support and revenue in excess of operating expenses	<u>338,740</u>	<u>201,106</u>	<u>539,846</u>
Other Changes			
Gain on debt forgiveness	101,535	-	101,535
Other revenue	2,427	-	2,427
Interest income	124	-	124
Loss on disposition of assets	(343)	-	(343)
Total other changes	<u>103,743</u>	<u>-</u>	<u>103,743</u>
 Change in Net Assets	<u>442,483</u>	<u>201,106</u>	<u>643,589</u>
 Net Assets, Beginning of Year	<u>818,379</u>	<u>106,845</u>	<u>925,224</u>
 Net Assets, End of Year	<u>\$ 1,260,862</u>	<u>\$ 307,951</u>	<u>\$ 1,568,813</u>

The accompanying Notes are an integral
part of these financial statements

Growing Hope, Inc.

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 369,375	\$ 45,040	\$ 106,994	\$ 152,034	\$ 521,409
Payroll taxes	32,633	4,079	8,611	12,690	45,323
Employee benefits	21,468	1,904	4,724	6,628	28,096
Total personnel costs	423,476	51,023	120,329	171,352	594,828
Depreciation	59,096	7,387	15,595	22,982	82,078
Program supplies	27,139	-	-	-	27,139
Occupancy	20,197	611	1,222	1,833	22,030
Professional fees	1,976	12,868	522	13,390	15,366
Repairs and maintenance	13,954	332	676	1,008	14,962
Other professional fees	8,806	860	2,838	3,698	12,504
Insurance	8,291	806	1,666	2,472	10,763
IT expenses	7,062	1,047	1,082	2,129	9,191
Bank and service charges	4,659	-	3,102	3,102	7,761
Printing and postage	3,170	432	3,452	3,884	7,054
Advertising and promotions	4,858	399	842	1,241	6,099
Interest expense	2,872	359	758	1,117	3,989
Miscellaneous	3,512	106	199	305	3,817
Volunteer expenses	3,150	-	-	-	3,150
Conferences and meetings	1,715	152	353	505	2,220
Office expense	1,568	48	99	147	1,715
Grants	813	-	-	-	813
Total expenses	\$ 596,314	\$ 76,430	\$ 152,735	\$ 229,165	\$ 825,479

The accompanying Notes are an integral part of these financial statements

Growing Hope, Inc.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 382,857	\$ 48,255	\$ 57,012	\$ 105,267	\$ 488,124
Payroll taxes	34,966	3,497	5,245	8,742	43,708
Employee benefits	22,901	1,822	3,663	5,485	28,386
Total personnel costs	440,724	53,574	65,920	119,494	560,218
Depreciation	64,757	6,476	9,714	16,190	80,947
Program supplies	27,989	37	55	92	28,081
Repairs and maintenance	24,928	818	1,227	2,045	26,973
Other professional fees	17,753	1,487	3,731	5,218	22,971
Occupancy	14,344	682	1,024	1,706	16,050
Professional fees	-	13,779	-	13,779	13,779
Interest expense	11,538	835	1,252	2,087	13,625
IT expenses	6,671	1,501	3,826	5,327	11,998
Insurance	8,545	685	1,028	1,713	10,258
Bank and service charges	5,639	36	2,506	2,542	8,181
Printing and postage	2,578	225	4,307	4,532	7,110
Office expense	4,437	297	410	707	5,144
Volunteer expenses	4,520	-	-	-	4,520
Conferences and meetings	3,141	280	579	859	4,000
Miscellaneous	2,376	76	85	161	2,537
Advertising and promotions	1,644	128	192	320	1,964
Fundraising expenses	-	-	261	261	261
Total expenses	\$ 641,584	\$ 80,916	\$ 96,117	\$ 177,033	\$ 818,617

The accompanying Notes are an integral
part of these financial statements

Growing Hope, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 73,882	\$ 643,589
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on debt forgiveness	-	(101,535)
Loss on disposition of equipment	1,725	343
Depreciation	82,078	80,947
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(6,240)	8,984
Pledges and grants receivable	18,972	(151,301)
Prepaid expenses	(3,133)	-
Accounts payable	(4,961)	(1,007)
Accrued payroll and payroll taxes	(4,898)	(7,877)
Accrued interest	(2,000)	(2,115)
Funds held for others	(1,658)	(4,812)
Net cash provided by operating activities	<u>153,767</u>	<u>465,216</u>
Cash Flows From Investing Activities		
Proceeds from sale of equipment	2,500	75
Purchases of equipment	(28,380)	(42,561)
Net cash used by investing activities	<u>(25,880)</u>	<u>(42,486)</u>
Cash Flows From Financing Activities		
Payments on notes payable	(1,704)	(394,980)
Net cash used by financing activities	<u>(1,704)</u>	<u>(394,980)</u>
Net Increase in Cash and Cash Equivalents	126,183	27,750
Cash and Cash Equivalents, Beginning of Year	321,988	294,238
Cash and Cash Equivalents, End of Year	\$ 448,171	\$ 321,988
Supplemental Information		
Cash paid for interest	<u>\$ 5,988</u>	<u>\$ 15,741</u>

The accompanying Notes are an integral
part of these financial statements

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. Growing Hope, Inc. ("the Organization") is a not-for-profit Michigan organization whose mission is to foster an equitable and sustainable local food system where all people are empowered to grow, sell, buy, prepare, and eat nourishing food. The Organization envisions a community where all people - particularly those with barriers due to race, class, culture, language, ability, and mobility - have access to nourishing local food that is culturally appropriate and affordable, can grow and prepare their own harvests, and may earn a living as a food grower, producer, or entrepreneur. The Organization focuses the majority of its efforts in Ypsilanti, Michigan. The Organization's sources of support and revenue are primarily from grants, individual contributions, and special events.

Description of Program Services:

Farm and Garden. This program empowers people of all ages to grow, prepare, and eat nourishing food with hands-on educational opportunities through workshops, trainings, and field trips on the Organization's urban farm demonstration gardens. The Organization supports Ypsilanti home, community, and school gardens by providing raised beds, compost, seedling/seeds, and mentorship.

Farmers Market. With an emphasis on increasing access to local fresh foods for underserved populations, the Organization manages two farmers markets - Depot Town Ypsilanti Farmers Market and Downtown Farmers Market - providing vibrant community spaces for local farmers and food makers to sell directly to customers. Additionally, it manages the Ypsi Area Online Market, a safe and convenient option. Six forms of food assistance benefits are accepted at all markets.

Food Entrepreneurship. With the goal of growing the local food economy, this program supports start-up food makers with access to the Organization's incubator kitchen. With 24/7 access to a commercial grade facility, renters are assisted with food safety regulations, licensing, and creating connections with growers and retail markets.

Youth and Schools. Garden-based nutrition education is provided for pre-K through 8th grade youth at the Organization's urban farm; in classrooms, after-school programs, summer camps, and through its participation in the Ypsilanti's Farm to School initiative. In its year-round teen employment program, teens grow their leadership and job skills while working on the Organization's urban farm, at its markets, and in its incubator kitchen; creating the next changemakers in the local food system.

Community Outreach & Involvement. Through its outreach, the Organization cultivates partners and volunteers to support and guide its mission in the community. The Organization is active in a number of city, county, and statewide coalitions and networks, advocating for food justice and an equitable and sustainable local food system.

Description of Supporting Services:

General and Administrative. Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Description of Supporting Services (continued):

Fundraising. Provides the structure necessary to encourage and secure private financial support from individuals, foundations, governments, and corporations.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all accounts receivable are fully collectible at December 31, 2022 and 2021.

Pledges and Grants Receivable. Pledges and grants receivable are all current and are recognized only when the conditions on which they depend are substantially met and the pledges or grants become unconditional. Pledges and grants receivable are stated net of allowances for doubtful accounts. Management provides for probable doubtful amounts through a provision for bad debt expense and an adjustment to the allowance account based on its assessment of the current status of individual amounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable account. Management has estimated the allowance for doubtful accounts to be \$450 as of December 31, 2022 and 2021.

Property and Equipment. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost for purchased items and at fair market value at the time of receipt for donated items. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which are currently calculated at three to ten years for furniture and equipment; five years for vehicles; and five to forty years for buildings and improvements. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the year of disposal. Depreciation expense for the years ended December 31, 2022 and 2021 was \$82,078 and \$80,947, respectively.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2022 and 2021.

Basis of Net Asset Presentation. The Organization reports 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:

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Contributions and Grants. Contributions and grants are recognized as support in the period committed as assets or decreases of liabilities depending on the form of the benefits received. Restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized.

Contributed Goods and Services and New Accounting Pronouncement. The Organization records the fair value of contributed services in the financial statements if services received either (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. The Organization received donated goods and services for the years ended December 31, 2022 and 2021 (See Note 6).

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information and utilization, policies, and valuation techniques.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition.

Timing of Satisfaction. The Organization satisfies its performance obligations for the farmers market/online market upon point of sale. Booth fees are earned each week as the market occurs. Rental income is earned each month if the lease is a long term, otherwise, rental income is earned each day the space is rented out.

Transaction Price. The transaction price of a contract with a client is the amount of consideration to which the Organization expects to be entitled for transferring promised services to the client. All revenues are all fixed fee services.

Contract Balances. The following table provides information about the Organization's receivables from contracts with customers at December 31:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	\$ 5,526	\$ 14,510
Accounts receivable, end of year	\$ 11,766	\$ 5,526

Accounting Policies and Practical Expedients Elected. The Organization is electing to use the right to invoice practical expedient, which allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. Therefore, the Organization will apply the invoice practical expedient to performance obligations satisfied over time.

The Organization's contracts do not include significant financing components.

Advertising. The Organization expenses advertising costs as they are incurred. Costs, expensed as advertising and promotions in the statements of functional expenses, were \$6,099 and \$1,964 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2021 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 14, 2023, the date at which the financial statements were available for release.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 2 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 1,337,327	\$ 1,318,914
Land	225,000	225,000
Furniture and equipment	41,493	41,493
Vehicles	15,343	19,392
	<u>1,619,163</u>	<u>1,604,799</u>
Less accumulated depreciation	<u>(455,058)</u>	<u>(382,771)</u>
Net property and equipment	<u>\$ 1,164,105</u>	<u>\$ 1,222,028</u>

Note 3 – Note Payable

Economic Injury Disaster Loan payable to the U.S. Small Business Association, due in monthly installments of \$641, commencing in May 2022 through May 2050, interest at 2.75%, collateralized by the organization's personal property.

	<u>2022</u>	<u>2021</u>
	\$ 148,296	\$ 150,000
	<u>148,296</u>	<u>150,000</u>
Less current portion	<u>(3,660)</u>	<u>(3,578)</u>
	<u>\$ 144,636</u>	<u>\$ 146,422</u>

Scheduled maturities of the long-term note payable are as follows at December 31, 2022:

Year ended Dec 31	Total
2023	\$ 3,660
2024	3,762
2025	3,866
2026	3,974
2027	4,085
Thereafter	<u>128,949</u>
	<u>\$ 148,296</u>

On April 10, 2020, the Organization was granted a loan ("the PPP Loan") from Bank of Ann Arbor in the amount of \$101,535, pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"), which was enacted March 27, 2020.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 – Note Payable (continued)

Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. These qualifying expenses include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before June 23, 2021 or through an alternate period as extended upon request of the Organization.

The Organization incurred such qualifying expenses and was granted forgiveness of the PPP Loan on March 16, 2021. The total amount of principal forgiveness was \$101,535 and is shown as a gain on debt forgiveness in the statement of activities for the year ended December 31, 2021.

Note 4 – Commitments

Operating Leases. The Organization leases office equipment under noncancelable operating lease agreements that expire in March 2025. Current monthly rent payments are \$169. Rent expense under the lease was \$2,028 for each of the years ended December 31, 2022 and 2021.

Future annual minimum lease payments under operating leases are as follows at December 31, 2022:

Year ended December 31,	Total
2023	\$ 2,028
2024	2,028
2025	507
	<u>\$ 4,563</u>

Rental Income. The Organization leases space to a local business. The noncancelable operating lease requires monthly payments of \$800 and expires in June 2023. Rental income under this agreement totaled \$8,400 and \$3,600 for the year ended December 31, 2022 and 2021, respectively. Rental income of \$4,800 is to be received under this lease during the year ended December 31, 2023.

The Organization also leases out kitchen space and event space to various local businesses on a short-term basis. Rental income from these entities and a previous lease that expired in June 2021 totaled \$61,045 and \$53,295 for the years ended December 31, 2022 and 2021, respectively.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 – Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at December 31, 2022 is as follows:

	January 1, 2022	Increases	Releases	December 31, 2022
Time restrictions:				
Pledges and grants receivable	\$ 220,091	\$ 187,382	\$ 220,091	\$ 187,382
Purpose restrictions:				
Youth Program	48,207	146,707	118,961	75,953
Farm	-	44,000	12,763	31,237
Home vegetable garden	5,818	19,000	17,026	7,792
Marketplace Kitchen	-	30,000	9,086	20,914
Westside Farmers Market	5,803	6,483	4,494	7,792
Senior Support	15,000	15,000	22,282	7,718
Farmer's market	2,460	8,500	7,024	3,936
Other programs	10,572	-	10,572	-
Total	<u>\$ 307,951</u>	<u>\$ 457,072</u>	<u>\$ 422,299</u>	<u>\$ 342,724</u>

The balance of net assets with donor restrictions at December 31, 2021 is as follows:

	January 1, 2021	Increases	Releases	December 31, 2021
Time restrictions:				
Pledges and grants receivable	\$ 43,790	\$ 220,091	\$ 43,790	\$ 220,091
Purpose restrictions:				
Youth Program	20,000	96,392	68,185	48,207
Home vegetable garden	3,337	15,000	12,519	5,818
Westside Farmers Market	-	13,687	7,884	5,803
Farmer's market	39,718	75,000	112,258	2,460
Other programs	-	41,000	15,428	25,572
Total	<u>\$ 106,845</u>	<u>\$ 461,170</u>	<u>\$ 260,064</u>	<u>\$ 307,951</u>

Note 6 – In-Kind Contributions

In-kind contributions are as follows for the years ended December 31:

	2022	2021	Usage
Donated goods	\$ 5,006	\$ 6,705	Programming
Donated services	-	750	Programming
Donated services - special event	5,980	-	Special event
Donated goods - special event	1,551	-	Special event
Donated auction items	11,102	3,416	Special event
	<u>\$ 23,639</u>	<u>\$ 10,871</u>	

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 – In-Kind Contributions (continued)

The Organization received donated goods that were valued using fair value of the items based on retail values that would be received for purchasing similar products in the Ypsilanti, Michigan area. The Organization received donated services valued using estimated average hourly wage for identical services using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. No in-kind contributions were restricted.

Note 7 – Special Events

The Organization derived net income from the following special fundraising events during the year ended December 31, 2022:

	A Chance to Grow	Chefs in the Garden	Total
Ticket and auction sales	<u>7,597</u>	<u>\$ 12,911</u>	<u>\$ 20,508</u>
Direct costs - in-kind	<u>(8,492)</u>	<u>(10,141)</u>	<u>(18,633)</u>
Direct costs	<u>(995)</u>	<u>(5,182)</u>	<u>(6,177)</u>
	<u><u>(1,890)</u></u>	<u><u>\$ (2,412)</u></u>	<u><u>\$ (4,302)</u></u>

Additionally, the Organization raised \$53,030 in sponsorships and donations as a result of this event.

The Organization derived net income from the following special fundraising event during the year ended December 31, 2021:

	Chefs in the Garden
Ticket and auction sales	<u>\$ 16,178</u>
Direct costs	<u>(13,151)</u>
	<u><u>\$ 3,027</u></u>

Additionally, the Organization raised \$45,382 in sponsorships and donations as a result of this event.

Note 8 – Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures and purpose restricted expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has an unofficial liquidity policy to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Growing Hope, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 8 – Liquidity and Availability of Resources (continued)

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 448,171	\$ 321,988
Accounts receivable	11,766	5,526
Pledges and grants receivable	<u>201,119</u>	<u>220,091</u>
 Financial assets available for general expenditures within one year	 <u>\$ 661,056</u>	 <u>\$ 547,605</u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of December 31, 2022 will be fully released during the next fiscal year.

Note 9 – Concentration of Credit Risk

Bank Deposits. At certain times during the years ended December 31, 2022 and 2021, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Support and Revenue Concentration. During the year ended December 31, 2021, the Organization had one grantor who comprised approximately 17% of total support and revenue.

Geographical Concentration. The Organization receives a substantial amount of its support from within the area of Southeast Michigan.