

CHILD HUNGER OUTREACH PARTNERS

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CHILD HUNGER OUTREACH PARTNERS

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KOHANSKI

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child Hunger Outreach Partners

Qualified Opinion

We have audited the financial statements of Child Hunger Outreach Partners ("CHOP") (a non-profit organization), which comprise the cash basis statement of assets, liabilities, and net assets as of December 31, 2023, and the related cash basis statements of revenues and expenses, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements ("financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of CHOP as of December 31, 2023, and the changes in its net assets and cash flows for the year then ended in accordance the cash basis of accounting described in Note 1.

Basis for Qualified Opinion

We did not observe the physical inventory taken as of December 31, 2023, since that date was prior to our initial engagement as auditors for CHOP, and CHOP's records do not permit adequate retroactive tests of inventory quantities. Consequently, we were unable to determine whether any adjustments were necessary in the cash basis statement of revenue and expenses.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CHOP 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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, 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 CHOP'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 CHOP'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.

Kohanski & Co., PC

Scranton, PA
August 12, 2024

CHILD HUNGER OUTREACH PARTNERS

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DECEMBER 31, 2023**

	<u>2023</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 161,776
Inventory	<u>18,170</u>
Total Current Assets	179,946
RIGHT TO USE ASSETS	196,090
PROPERTY AND EQUIPMENT, net	<u>334,448</u>
	<u>\$ 710,484</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Current portion of lease liabilities	\$ 67,483
Accrued payroll taxes	<u>2,997</u>
Total Current Liabilities	70,480
LEASE LIABILITIES, net of current portion	<u>128,607</u>
	<u>199,087</u>
NET ASSETS:	
Without donor restrictions	475,797
With donor restrictions	<u>35,600</u>
Total Net Assets	<u>511,397</u>
	<u>\$ 710,484</u>

The accompanying notes are an integral part of these financial statements.

CHILD HUNGER OUTREACH PARTNERS

**STATEMENT OF REVENUE AND EXPENSES - CASH BASIS
YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Program Services:			
Cash contributions	\$ 417,520	\$ 35,600	\$ 453,120
Contributions of nonfinancial assets	3,103,336	-	3,103,336
Grants	1,004,088	-	1,004,088
Other income	47	-	47
	<u>4,524,991</u>	<u>35,600</u>	<u>4,560,591</u>
Total Revenue and Support			
EXPENSES:			
Program Services	3,932,842	-	3,932,842
Supporting Services:			
Management and general	216,269	-	216,269
Fundraising	166,926	-	166,926
	<u>4,316,037</u>	<u>-</u>	<u>4,316,037</u>
Total Expenses			
CHANGE IN NET ASSETS	208,954	35,600	244,554
NET ASSETS - Beginning	<u>266,843</u>	<u>-</u>	<u>266,843</u>
NET ASSETS - Ending	<u>\$ 475,797</u>	<u>\$ 35,600</u>	<u>\$ 511,397</u>

The accompanying notes are an integral part of these financial statements.

CHILD HUNGER OUTREACH PARTNERS

**STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
YEAR ENDED DECEMBER 31, 2023**

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
EXPENSES:				
Salaries and wages	\$ 333,360	\$ 173,349	\$ 145,906	\$ 652,615
Employee benefits	6,262	6,685	2,450	15,397
Food	3,227,590	-	-	3,227,590
Occupancy	87,752	10,080	-	97,832
Depreciation	73,126	-	-	73,126
Travel and meetings	49,435	-	-	49,435
Operating supplies	35,070	-	-	35,070
Office expense	25,517	9,438	-	34,955
Advertising	33,432	-	-	33,432
Professional fees	31,579	1,786	-	33,365
Fundraising	-	-	18,570	18,570
Telephone/internet	8,703	3,219	-	11,922
Insurance	-	9,069	-	9,069
Miscellaneous	7,172	-	-	7,172
Software/licenses	5,236	1,936	-	7,172
Repairs and maintenance	3,018	-	-	3,018
Dues and subscriptions	1,911	707	-	2,618
Contributions	2,080	-	-	2,080
Printing and publications	818	-	-	818
Uniform expenses	631	-	-	631
Conferences and meetings	150	-	-	150
Total Expenses	<u>\$ 3,932,842</u>	<u>\$ 216,269</u>	<u>\$ 166,926</u>	<u>\$ 4,316,037</u>

The accompanying notes are an integral part of these financial statements.

CHILD HUNGER OUTREACH PARTNERS

**STATEMENT OF CASH FLOWS - CASH BASIS
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grants and contributions	\$ 1,457,208
Cash received from other income	47
Cash paid to employees for salaries and benefits	(674,970)
Cash paid for operating expenses	<u>(447,532)</u>
Net Cash Provided by Operating Activities	<u>334,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(205,504)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,249
CASH AND CASH EQUIVALENTS - Beginning	<u>32,527</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 161,776</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 244,554
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	72,064
In-kind donation of inventory	(13,170)
Changes in assets and liabilities:	
Prepaid expenses	38,263
Accrued payroll taxes	<u>(6,958)</u>
Net Cash Provided by Operating Activities	<u>\$ 334,753</u>

The accompanying notes are an integral part of these financial statements.

CHILD HUNGER OUTREACH PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Child Hunger Outreach Partners ("CHOP") is a nonprofit corporation whose mission is to provide food to those in need. CHOP operates out of two locations, Towanda and Scranton Pennsylvania and is supported by grants and contributions.

CHOP provides services throughout the Northeastern Pennsylvania through the following programs:

Backpack Program - students are given a bag of food every Friday to take home. Bags include easy to prepare, nutritious foods and fresh produce.

In-school Pantries - at the high school level, in-school pantries are self-serve to all students. This is self-policed and teaches students to self-advocate for their needs. Foods are grab-and-go nutritious snacks, as well as food to be taken home and prepared.

Pop-up Pantries - serve communities by bringing a box truck of food: including pantry staples, fresh produce, frozen meats, and dairy. As with all CHOP programs, there are no income restrictions.

Summer Meal Programs - include a weekly summer program with a meal/snack or distributions of backpack-like boxes of food to families.

Basis of Accounting

The financial statements of CHOP have been prepared on the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred.

Basis of Presentation

CHOP 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.

CHILD HUNGER OUTREACH PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in raising contributions, and performing administrative functions. Contributions that are restricted by the donor are also reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either permanently or temporarily until the donor restriction expires; that is, until the stipulated time restriction ends or the purpose of the restriction is accomplished the net assets are restricted.

When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

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.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

CHILD HUNGER OUTREACH PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)

Revenue Recognition (Cont'd)

A portion of CHOP's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CHOP has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the cash basis statement of assets, liabilities and net assets.

Contributions of Nonfinancial Assets

Volunteers regularly donate their time to CHOP's program services and to its fundraising. No value for these volunteer hours has been recorded in the cash basis statement of revenue and expenses because they do not meet the criteria for recognition under generally accepted accounting principles. Donated food items and other goods are recorded as contributions and as expense, based on estimated fair values.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, CHOP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be a cash equivalent.

Inventory

Inventory consists of donated food items and is recorded at fair-value based on the estimated value of the items received. Donated inventory is intended for distribution to families and is not available for sale.

Property and Equipment

Property and equipment are recorded at cost, and are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Leasehold improvements	15
Equipment and vehicles	5 - 7

CHILD HUNGER OUTREACH PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment (Cont'd)

Repairs and minor equipment are charged against current operations when paid. Contributed property and equipment are recorded at fair-value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Leases

CHOP determines if an arrangement is a lease at inception. All leases, with an initial term greater than 12 months, are recorded on the cash basis statement of assets, liabilities and net assets. The lease term includes options to extend the lease when it is reasonably certain that CHOP will exercise that option.

Operating lease right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments discounted at CHOP's incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense in the cash basis statement of revenue and expenses.

Income Taxes

CHOP is a not-for-profit corporation that is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code. No provision for Federal or state income tax is required.

In accordance with Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated CHOP's tax position and concluded that CHOP had taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance. With few exceptions, CHOP is no longer subject to income tax examination by Federal or state authorities for years ending before December 31, 2020.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the cash basis statement of activities. The cash basis statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHILD HUNGER OUTREACH PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Financial Instruments and Credit Risk

CHOP manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, CHOP has not experienced losses in any of these accounts.

Recently Implemented Accounting Standards

In 2023, the Organization adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU No. 2016-02, CHOP recognized a right-of-use asset and lease liability totaling \$261,214 in its cash basis statement of assets, liabilities and net assets as of January 1, 2023. The adoption did not result in a significant effect on amounts reported in the cash basis statement of revenue and expenses for the year ended December 31, 2023.

Subsequent Events

Management has evaluated subsequent events through August 12, 2024, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2023.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	<u>\$ 161,776</u>
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In addition to financial assets available to meet general expenditures over the year, CHOP operates on a balanced budget and anticipates covering its general expenditures by collecting adequate contributions and grants.

CHILD HUNGER OUTREACH PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

Leasehold improvements	\$ 25,822
Equipment and vehicles	<u>486,279</u>
	512,101
Less: accumulated depreciation	<u>(177,653)</u>
Property and equipment, net	<u>\$ 334,448</u>

Depreciation expense was \$72,064 for the year ended December 31, 2023.

NOTE 4: LEASES

CHOP leases two buildings under long-term non-cancelable lease agreements.

CHOP's discount rate used in the calculation of the present value was 5.31%, the Wall Street Journal Prime Rate at the lease implementation date.

Future minimum lease payments under the leases as of December 31, 2023 are as follows:

	<u>Year ending December 31,</u>	<u>Amount</u>
	2024	\$ 78,452
	2025	57,452
	2026	42,452
	2027	<u>42,452</u>
		220,808
Less: interest		<u>24,718</u>
Present value of lease liabilities		<u>\$ 196,090</u>

CHILD HUNGER OUTREACH PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7: CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities for the years ended December 31 included:

Food and grocery donations	<u>\$ 3,103,336</u>
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CHOP recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

CHOP received donated food and grocery items from a local food bank, area restaurants, and from the general public for use in its programs. The value of items received from the food bank is recorded using values provided by the food bank in monthly statements to CHOP. All other food and grocery donations are valued at \$1.93 per pound for the year ended December 31, 2023. Per pound values are established by Feeding America, a national food bank, in its Annual Product Valuation Survey.

NOTE 8: FUNCTIONALIZED EXPENSES

CHOP reports expenses based on a percentage of usage between program services, and management and general. Fundraising expenses are tracked separately.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

CHOP's net assets with donor restrictions are available for the following purposes at December 31,:

Vehicle purchase	\$ 26,000
Summer programs	8,000
Pork products	<u>1,600</u>
	<u>\$ 35,600</u>