Nourish California

Financial Statements

For the Year Ended

June 30, 2024

With Independent Auditors' Report Thereon

Contents

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nourish California

Opinion

We have audited the accompanying financial statements of Nourish California (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nourish California as of June 30, 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 Nourish California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nourish California'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 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 Nourish California'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 Nourish California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Nourish California's financial statements for the year ended June 30, 2023, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia Berger & Berger

January 3, 2025
Danville, California

Statements of Financial Position
June 30, 2024 and 2023

ASSETS

		2024		2023
Current assets:				
Cash and cash equivalents	$	**390,088**	$	346,932
Accounts receivable		**21,618**		23,123
Grants receivable		**613,000**		700,000
Investments		**581,436**		614,324
Prepaid expenses		**28,615**		39,332
Total current assets		**1,634,757**		1,723,711
Noncurrent assets:				
Operating right of use asset - premises		**357,564**		398,083
Grants receivable - long term, net of discount		**120,111**		110,525
Deposits and other assets		**22,000**		22,000
	$	**2,134,432**	$	2,254,319

LIABILITIES AND NET ASSETS

		2024		2023
Current liabilities:				
Accounts payable and accrued liabilities	$	**15,999**	$	39,302
Accrued payroll liabilities		**50,305**		55,566
Operating lease payable - current portion		**119,192**		101,632
Deferred revenue		**7,719**		7,500
Total current liabilities		**193,215**		204,000
Noncurrent liabilities:				
Deposits held		**8,216**		8,216
Operating lease payable - noncurrent portion		**278,107**		313,744
Total liabilities		**479,538**		525,960
Net assets:				
Without donor restrictions		**375,611**		428,851
With donor restrictions		**1,279,283**		1,299,508
Total net assets		**1,654,894**		1,728,359
	$	**2,134,432**	$	2,254,319

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024
(with Summarized Financial Information for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Revenue and support:				
Contributions, donations, and grants	$ 477,900	$ 1,366,500	**$ 1,844,400**	$ 1,949,976
Contract revenue	2,295	-	**2,295**	835
Net investment income	67,345	-	**67,345**	39,891
Events and conferences	9,141	-	**9,141**	18,873
Rental and other income	90,654	-	**90,654**	81,177
Total	647,335	1,366,500	**2,013,835**	2,090,752
Net assets released from restriction	1,396,311	(1,396,311)	**-**	-
Change in unamortized discount	-	9,586	**9,586**	(14,475)
Total revenue and support	2,043,646	(20,225)	**2,023,421**	2,076,277
Expenses:				
Program activities	1,872,102	-	**1,872,102**	1,686,313
General and administrative	199,893	-	**199,893**	193,516
Fundraising	24,891	-	**24,891**	23,340
Total expenses	2,096,886	-	**2,096,886**	1,903,169
Increase (decrease) in net assets	(53,240)	(20,225)	**(73,465)**	173,108
Net assets at beginning of year	428,851	1,299,508	**1,728,359**	1,555,251
Net assets at end of year	$ 375,611	$ 1,279,283	**$ 1,654,894**	$ 1,728,359

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating activities:		
Increase (decrease) in net assets	**$ (73,465)**	$ 173,108
Adjustments to reconcile to cash provided by (used for) operating activities:		
Change in unamortized discount	**(9,586)**	14,475
Unrealized investment gains	**(36,207)**	(9,820)
Amortization of operating right of use asset and liability	**22,442**	3,884
Changes in:		
Accounts receivable	**1,505**	(23,123)
Grants receivable	**87,000**	(412,500)
Deposits and other assets	**-**	3,610
Prepaid expenses	**10,717**	(28,535)
Accounts payable and accrued liabilities	**(23,303)**	2,188
Accrued payroll liabilities	**(5,261)**	7,190
Deferred revenue	**219**	7,500
Deposits held	**-**	6,120
Cash used for operating activities	**(25,939)**	(255,903)
Investing activities:		
Purchase and acquisition of investments	**(17,485)**	(166,383)
Proceeds from disposition of investments	**86,580**	136,383
Cash provided by (used for) investing activities	**69,095**	(30,000)
Increase (decrease) in cash and cash equivalents	**43,156**	(285,903)
Cash and cash equivalents at beginning of year	**346,932**	632,835
Cash and cash equivalents at end of year	**$ 390,088**	$ 346,932
Additional cash flow information:		
State registration taxes paid	**$ 200**	$ 220
Interest paid	**$ -**	$ -

Statement of Functional Expenses
For the Year Ended June 30, 2024
(with Summarized Financial Information for the Year Ended June 30, 2023)

	Program Activities	General and Admin-istrative	Fund-raising	2024 Total	2023 Total
Grants	$ 100,250	$ -	$ -	**$ 100,250**	$ 83,750
Insurance	882	1,675	24	**2,581**	4,559
Legal, accounting and professional fees	359,604	38,739	1,636	**399,979**	432,958
Lobbying fees	42,000	-	-	**42,000**	21,000
Miscellaneous	127	1,290	-	**1,417**	3,833
Occupancy	14,774	146,191	186	**161,151**	134,077
Office and supplies	36,104	1,727	1,024	**38,855**	45,329
Personnel expenses	1,171,642	8,600	21,530	**1,201,772**	1,107,692
Postage and shipping	255	-	2	**257**	200
Printing and copying	1,283	-	-	**1,283**	513
Telecommunications	21,846	643	478	**22,967**	13,379
Travel, conferences and meetings	123,335	1,028	11	**124,374**	55,879
Totals	$1,872,102	$ 199,893	$ 24,891	**$2,096,886**	$1,903,169

Notes to Financial Statements
June 30, 2024

1. Organization

Nourish California was incorporated in August 1992 as a California nonprofit public benefit corporation dedicated to improving the health and well-being of low-income Californians by increasing their access to nutritious and affordable food.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Nourish California have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Nourish California's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Cash and Cash Equivalents – Nourish California's cash consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject Nourish California to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Nourish California maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Nourish California manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Nourish California has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Nourish California's mission.

Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment – Nourish California's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. Nourish California reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Nourish California groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2024 presentation. These changes had no impact on previously reported changes in net assets.

2. Summary of Significant Accounting Policies *(continued)*

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions
Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, but has not opted to do so as of June 30, 2024 and 2023.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) 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 can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Contributions of Nonfinancial Assets – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Nourish California to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (personnel expenses, occupancy, supplies, and other overhead) have been allocated based on time and effort using the organization’s payroll allocations. Other expenses have been presented based on direct relationships or, if indirect, other rational allocation methods.

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605) and ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute is accounted for as a refundable advance until the conditions have been substantially met. Certain payments received may include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Income Taxes – Nourish California is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Nourish California is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Nourish California files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income consisting of sublease rental income.

Nourish California has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Nourish California continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

ASU 2016-02, Leases (Topic 842) Accounting for Leases requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

2. Summary of Significant Accounting Policies *(continued)*

Recent and Relevant Accounting Pronouncements *(continued)* – *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of January 3, 2025 (the date of the Independent Auditors' Report), Nourish California management has made this evaluation and has determined that Nourish California has the ability to continue as a going concern.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Update also requires certain enhanced disclosures for contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30:

	2024	2023
Noninterest-bearing accounts	**$ 339,799**	$ 296,621
Interest-bearing accounts	**50,243**	50,169
PayPal account	**46**	142
Total cash and cash equivalents	**$ 390,088**	$ 346,932

3. Cash and Cash Equivalents *(continued)*

At times, deposits in the various financial institutions may exceed federally insured limits. Nourish California attempts to limit its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. Funds in interest-bearing accounts earned interest at a rate of 0.05% per annum as of June 30, 2024. Interest income from cash accounts amounted to $232 and $71 for the years ended June 30, 2024 and 2023, respectively.

4. Liquidity

Nourish California regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Nourish California has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Nourish California considers all expenditures related to its ongoing activities in support of food policy initiatives to increase low-income Californians' access to healthy food to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Nourish California operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by Nourish California and the amounts of those financial assets readily available within one year of the date of the statement of financial position to meet general expenditures:

	2024	2023
Cash and cash equivalents	**$ 390,088**	$ 346,932
Accounts receivable	**21,618**	23,123
Grants receivable	**613,000**	700,000
Investments	**581,436**	614,323
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	**(438,339)**	(397,316)
Financial assets available to meet general expenditures over the next twelve months	**$ 1,167,803**	$ 1,287,062

A significant amount of the support received by Nourish California is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, Nourish California must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Nourish California's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Nourish California's goal is to generally maintain financial assets to meet six months of operating expenses.

5. Accounts Receivable

Accounts receivable of $21,618 and $23,123 at June 30, 2024 and 2023, respectively, are due from various organizations and are reflected at net realizable value. Nourish California uses the direct write-off method with regards to receivables deemed uncollectible. There were no bad debts for the years ended June 30, 2024 and 2023.

6. Grants Receivable

Grants receivable of $733,111 and $810,525 (current and noncurrent combined) at June 30, 2024 and 2023, respectively, represent funds due from various organizations and are reflected at net present value. Grants receivable are expected to be collected as follows at June 30:

	2024	2023
Year ending June 30, 2024	**$ -**	$ 700,000
Year ending June 30, 2025	**613,000**	125,000
Year ending June 30, 2026	**125,000**	-
Subtotal	**738,000**	825,000
Less: Unamortized discount	**(4,889)**	(14,475)
Subtotal	**733,111**	810,525
Total amounts due within one year	**(613,000)**	(700,000)
Grants receivable, noncurrent (net)	**$ 120,111**	$ 110,525

The change in the unamortized discount during the year ended June 30, 2024 and 2023 of $9,586 and ($14,475), respectively, is reflected as a component of donor restricted income on the statement of activities and changes in net assets. Management has evaluated the receivables as of June 30, 2024 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

7. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 562,675	**$ 581,436**	$ 631,777	$ 614,324

Composition of investment income is summarized as follows for the years ended June 30:

	2024	2023
Interest and dividends on investments	**$ 17,485**	$ 16,383
Capital gains distributions	**16,349**	28,864
Realized gains and losses	**(2,928)**	(15,247)
Change in unrealized gains and losses	**36,207**	9,820
Total investment income	**$ 67,113**	$ 39,820

7. Investments and Fair Value Measurements *(continued)*

Composition of assets utilizing fair value measurements at June 30, 2024 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds	$ 581,435	$ 581,435	$ -	$ -

Composition of assets utilizing fair value measurements at June 30, 2023 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds	$ 614,324	$ 614,324	$ -	$ -

8. Right of Use Asset and Leases

Nourish California leases office space in Oakland under a multi-year operating lease expiring September 30, 2027. As of June 30, 2024, the lease requires a monthly rental payment of $8,531, with stipulated annual inflation-adjustment increases each October 1. Nourish California also leases additional space in Oakland under an operating lease expiring December 31, 2026. This lease requires a monthly rental payment of $2,325 as of June 30, 2024, with rent increases every February.

In accordance with *ASU 2016-02, Leases*, Nourish California is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as an “Operating Right of Use” asset and a corresponding operating lease liability. The weighted average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, Nourish California estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using Nourish California’s applicable borrowing rates and the contractual lease term. The estimated incremental borrowing rate for the office lease was determined to be 4%. Nourish California had no finance leases in effect during the years ended June 30, 2024 and 2023.

When applicable, Nourish California has elected the short-term lease exemption for all leases with a term of 12 months or fewer for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Additionally, certain immaterial multi-year leases were not capitalized as operating right of use assets. Lease payments under these agreements are recognized on a straight-line basis.

Total operating right of use asset and operating lease liability on the statements of financial position consist of the following at June 30:

	2024	2023
Gross operating right of use asset – premises	**$ 705,587**	$ 624,378
Accumulated amortization operating right of use asset – premises	**(348,023)**	(226,295)
Total operating right of use asset, net	**$ 357,564**	$ 398,083

Notes to Financial Statements
June 30, 2024

8. Operating Right of Use Asset and Leases *(continued)*

		2024		2023
Operating lease liability – current portion	**$**	**119,192**	$	101,632
Operating lease liability – noncurrent portion		**278,107**		313,744
Total operating lease liability	**$**	**397,299**	$	415,376

Total operating lease cost recognized within occupancy expense on the statement of functional expenses is summarized as follows at June 30:

		2024		2023
Amortization of operating lease asset	**$**	**102,731**	$	89,196
Interest on lease liability		**16,296**		18,376
Lease expense		**42,124**		26,505
Total occupancy expense	**$**	**161,151**	$	134,077

The following summarizes cash flow information related to operating leases as of June 30:

		2024		2023
Principal payments applied to lease liability	**$**	**115,582**	$	98,672
Interest on lease liability		**16,296**		18,376
Total cash paid for amounts included in measurement of lease liabilities	**$**	**131,878**	$	117,048

As of June 30, 2024, minimum future lease payments for all operating leases with terms of one year or more are as follows:

Year Ending:		Total
June 30, 2025	$	132,930
June 30, 2026		136,918
June 30, 2027		125,856
June 30, 2028		27,968
Total Lease Payments		423,672
Less: Interest		(26,373)
Present value of lease liabilities	**$**	**397,299**

The following table represents the weighted-average remaining lease term and discount rate for the operating lease as of June 30, 2024:

Weighted average remaining lease terms (years)	4
Weighted average discount rate	4.00%

9. Net Assets

Nourish California recognizes support from net assets with donor restrictions when the restrictions imposed by the donors are satisfied or expire. Net assets with donor restrictions consist of the following at June 30:

Restricted for:	2024	2023
Future periods	**$ 845,833**	$ 916,667
Northern California programs	**154,819**	83,658
Southern California programs	**151,756**	83,658
Other specific programs and projects	**131,764**	230,000
Unamortized discount	**(4,889)**	(14,475)
Total net assets with donor restrictions	**$ 1,279,283**	$ 1,299,508

During the years ended June 30, 2024 and 2023, contributions to net assets with donor restrictions amounted to $1,366,500 and $1,554,000, respectively. Net assets released from restrictions amounted to $1,396,311 and $1,290,722 during the years ended June 30, 2024 and 2023, respectively. Amortization of the discount related to long-term receivables amounted to $9,586 and ($14,475) for the years ended June 30, 2024 and 2023, respectively.

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Nourish California is required to record a liability for the estimated amounts of compensation for vacation and sick leave. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to $50,305 and $55,566 at June 30, 2024 and 2023, respectively, and are included with accrued payroll liabilities on the statements of financial position. Pursuant to a Board resolution, certain employees may also be permitted to take up to a two-month sabbatical leave if certain conditions are met. No accrual has been established for any potential sabbatical costs as of June 30, 2024 or 2023.

11. Commitments and Contingencies

In the normal course of business, Nourish California could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate Nourish California to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond Nourish California’s control, such as generosity of donors and general economic conditions, (c) employment contracts and service agreements with outside contractors, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

12. Retirement Plan

Nourish California offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible for participation in the plan and are 100% vested in their deferred compensation balances. Nourish California makes contributions to the plan as determined annually by the organization's Board of Directors. During the years ended June 30, 2024 and 2023, Nourish California contributed $42,383 and $31,727, respectively, to the plan.

13. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nourish California has evaluated subsequent events through January 3, 2025, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.