

Chicago Eco House



Financial Statements

For the Year Ended
December 31, 2023



Chicago Eco House
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Illinois NFP Audit & Tax, LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Chicago Eco House
Chicago, Illinois

Opinion on the Financial Statements

We have audited the accompanying financial statements of Chicago Eco House, which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2023, and the related statement of support, revenue and expenses - modified cash basis, statement of functional expenses - modified cash basis and statement of cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Chicago Eco House as of December 31, 2023, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion on the Financial Statements

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chicago Eco House 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified 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 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 Chicago Eco House'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chicago Eco House's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

IL NFP Audit & Tax, LLP

Chicago, Illinois

February 5, 2024

Chicago Eco House
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash and Equivalents	\$ 363,669	\$ 501,458	\$ 865,127
Total Current Assets	363,669	501,458	865,127
Total Fixed Assets, Net	48,116	0	48,116
Other Assets			
Intangible Assets	19,100	0	19,100
Security Deposits	2,317	0	2,317
Total Other Assets	21,417	0	21,417
Total Assets	\$ 433,202	\$ 501,458	\$ 934,660
Liabilities and Net Assets			
Current Liabilities			
Accrued Liabilities	\$ 16,928	\$ 0	\$ 16,928
Total Current Liabilities	16,928	0	16,928
Total Liabilities	16,928	0	16,928
Total Net Assets	416,274	501,458	917,732
Total Liabilities and Net Assets	\$ 433,202	\$ 501,458	\$ 934,660

Chicago Eco House
Statement of Support, Revenue, and Expenses - Modified Cash Basis
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Grants and Contributions	\$ 715,827	\$ 501,458	\$ 1,217,285
Earned Income	533,000	0	533,000
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	0	0	0
Expiration of Time Restrictions	73,667	(73,667)	0
Total Revenue, Support and Gains	1,322,494	427,791	1,750,285
Functional Expenses			
Program Services	824,024	0	824,024
Management and General	169,642	0	169,642
Fundraising	13,876	0	13,876
Total Functional Expenses	1,007,542	0	1,007,542
Change in Net Assets	314,952	427,791	742,743
Net Assets,			
Beginning of Year	101,322	73,667	174,989
End of Year	\$ 416,274	\$ 501,458	\$ 917,732

Chicago Eco House
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Personnel				
Salaries	\$ 208,578	\$ 24,539	\$ 12,269	\$ 245,386
Payroll Taxes	15,904	1,871	936	18,711
Employee Benefits	11,408	1,342	671	13,421
Total Personnel	<u>235,890</u>	<u>27,752</u>	<u>13,876</u>	<u>277,518</u>
Advertising and Marketing	0	4,495	0	4,495
Bank Processing Fees	0	849	0	849
Commission Fees	4,293	0	0	4,293
Contractual Services	281,012	23,785	0	304,797
Depreciation	10,382	2,596	0	12,978
Dues and Subscriptions	0	5,742	0	5,742
Insurance	0	24,264	0	24,264
Licenses and Fees	0	14	0	14
Miscellaneous	0	410	0	410
Occupancy	23,362	5,840	0	29,202
Office	0	10	0	10
Postage and Shipping	1,697	0	0	1,697
Printing	522	0	0	522
Sales Tax	0	50,309	0	50,309
Supplies and Materials	239,169	8,577	0	247,746
Telecommunications	0	1,608	0	1,608
Training	3,780	0	0	3,780
Travel and Meetings	21,520	10,955	0	32,475
Utilities	2,397	599	0	2,996
Website	0	1,837	0	1,837
Total Functional Expenses	<u>\$ 824,024</u>	<u>\$ 169,642</u>	<u>\$ 13,876</u>	<u>\$ 1,007,542</u>

Chicago Eco House
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2023

Cash Flows from Operating Activities

Received from Supporters and Other Sources	\$ 1,750,285
Paid to Vendors, Directors and Non-Employees	(1,007,300)
Interest Paid	0
Income Taxes Paid	0
	0

Net Cash Provided by Operating Activities

742,985

Cash Flows from Investing Activities

Cash Payments for the Purchase of Fixed Assets	(23,244)
Payments for the Purchase of Intangibles	(2,000)
	(25,244)

Net Cash Used in Investing Activities

(25,244)

Net Increase in Cash and Cash Equivalents

717,741

Cash and Cash Equivalents,

Beginning of Year	147,386
End of Year	\$ 865,127

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities

Change in Net Assets	\$ 742,743
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	12,978
Changes in Certain Assets and Liabilities:	
Accrued Liabilities	(12,736)
Total Adjustments	242

Net Cash Provided by Operating Activities

\$ 742,985

Chicago Eco House
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Activities

Chicago Eco House (the “Organization”) is a not-for-profit corporation incorporated in 2014. The Organization’s mission is to leverage sustainable solutions to alleviate poverty. The Organization has four off-grid commercial flower farms throughout Chicago and one in Detroit. The Organization also operates an in-house flower shop.

Basis of Accounting

The Organization’s accounts are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred. The Organization modifies its cash basis financial statements to include the following non-cash basis items: Fixed assets and in-kind donations.

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions as of December 31, 2023.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed 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 are perpetual in nature, where the donor stipulates that 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.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Fixed Assets

The Organization records fixed asset additions at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using a straight-line depreciation method over the estimated useful lives of the assets of 5 to 7 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The Organization reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. At December 31, 2023, no impairment has been identified.

Interfund Balance

In an effort to increase transparency and to simplify its financial statements, the Organization presents its statement of assets, liabilities and net assets - modified cash basis on a fund basis which comprises of the following funds: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions. As of December 31, 2023, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Leases

Operating leases longer than one year are reported on the statement financial position as a right-of-use (“ROU”) asset and as a operating lease obligation liability on the statement of financial position. The ROU represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization’s incremental borrowing rate is used in determining the present value of lease payments. The implicit rate is used when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Revenue Recognition - Grants and Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. Unconditional promises to give are not recognized on the financial statements as the Organization reports its financial statements under a other comprehensive basis of accounting.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Revenue Recognition - Grants and Contributions (Continued)

Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization when the restrictions are released. Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

Revenue Recognition - Earned Revenue

Earned revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the underlying services. The Organization typically bills for services prior to the delivery of services. Revenue is recognized as the underlying performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges.

Revenue Recognition - Registrations and Sponsorships

The Organization typically hosts events during the course of the year. Registration fees for these events are billed to the participant at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrant access to the event and event materials. Revenue from these events is recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. The Organization also provides members the opportunity to sponsor their events. Event sponsors pay for sponsorship packages for events in exchange for access for their representatives to the event itself, access to the event materials, and access to the members attending the events to promote their own businesses. Cash receipts for registrations and sponsorships collected in advance of the events are deferred as contract liabilities until the event is held, at which point the revenue is recognized.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Revenue Recognition - Disaggregation of Revenue

The following table disaggregates the Organization's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the year ended December 31, 2023:

Revenue Recognized over Time	\$ 0
Revenue Recognized at a Point in Time	\$ 533,000

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates functional expenses mainly on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the financial statements do not include a provision for income taxes. The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Use of Estimates

The preparation of financial statements make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. As of December 31, 2023, the Organization holds \$614,707 in deposits above federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Advertising costs

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. The Organization had no direct-response advertising during the year ended December 31, 2023.

Note 2 - Fixed Assets

At December 31, 2023, fixed assets comprise of the following:

Vehicles	\$	58,105
Machinery and Equipment		13,983
Furniture and Fixtures		1,500
Total Cost		<u>73,588</u>
Less: Accumulated Depreciation		<u>(25,472)</u>
Fixed Assets, Net	\$	<u><u>48,116</u></u>

Depreciation expense amounts to \$12,978 for the year ended December 31, 2023.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 3 - Intangibles

At December 31, 2023, intangible assets comprise of the following:

Cryptocurrency	\$	19,100
		19,100
		19,100

Cryptocurrency is evaluated for impairment loss on an annual basis. Market value gains are not recorded as cryptocurrency does not meet the definition of a cash equivalent or an investment. Impairment loss amounts to \$0 as of December 31, 2023.

Note 4 - Lease Commitments

The Organization leases its office space under a ten-year lease agreement commencing on September 1, 2021 and expiring on August 31, 2031. The lease calls for variable monthly rent payments ranging from \$1,158 to \$1,971. Rent expense for the year ended December 31, 2023 amounts to \$16,112. Future minimum lease payments are as follows:

For the Year Ended December 31, 2024	\$	15,580
2025		16,359
2026		17,750
2027		19,784
2028		20,773
2029 - 2031		60,484
		\$ 150,730
		150,730

Note 5 - In-Kind Donations

Donated Goods, Donated Space, and Donated Services

Donated goods are recorded at estimated fair value on the date of donation. The Organization received no donated goods during the year ended December 31, 2023.

Donated space is recorded at estimated fair value on the date of donation. The Organization received no donated space during the year ended December 31, 2023.

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 5 - In-Kind Donations (Continued)

Donated Goods, Donated Space, and Donated Services (Continued)

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria. For the year ended December 31, 2023, the Organization did not receive donated services that meet the recognition criteria.

Note 6 - Concentration of Funding

The Organization continuously attempts to diversify its donor and revenue base, and as such, does not have a major revenue concentration from a specific grantor for 2023.

Note 7 - Net Asset Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Net Asset Restrictions - Temporary

Subject to Expenditure for Specific Purpose:

Westfield Garfield Park Expansion	\$ 25,000
Total Subject to Expenditure for Specific Purpose	<u>25,000</u>
Subject to Passage of Time:	
Expiring During the Year Ended December 31, 2024	<u>476,458</u>
Total Subject to Passage of Time	<u>476,458</u>
Total Net Assets with Restrictions	<u><u>\$ 501,458</u></u>

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 7 - Net Asset Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by the occurrence of the passage of time or other events specified by donors during the year ended December 31, 2023:

Purpose Restrictions Accomplished:	
None	\$ 0
Total Purpose Restrictions Accomplished	0
Time Restrictions Satisfied:	
Expired During the Year Ended December 31, 2023	73,667
Total Time Restrictions Satisfied	73,667
Total Restrictions Released	\$ 73,667

Note 8 - Liquidity and Availability of Financial Assets

At December 31, 2023, the Organization has \$865,127 of financial assets, excluding non-spendable financial assets, available for general expenditures within one year of the balance sheet date. Of this amount, \$501,458 of financial assets are subject to donor timing or purpose restrictions, excluding general operation restrictions, expiring within one year. No other contractual restrictions exist that make current financial assets unavailable for general expenditure within one year of the balance sheet date. As of December 31, 2023, the Organization does not expect that its liquidity will deteriorate.

Financial assets available within one year of the balance sheet for general expenditures comprise of the following:

Financial Assets Available for General Expenditure:	
Cash and Equivalents	\$ 865,127
Total Financial Assets Available for General Expenditure	865,127
Less: Financial Assets Pledged as Collateral	0
Less: Financial Assets Subject to Donor Timing or Purpose Restrictions	(501,458)
Total Financial Assets Available to Meet Cash Needs for General Use Within One Year	\$ 363,669

Chicago Eco House
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

Note 9 - Recent and Upcoming Accounting Pronouncements

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* in relation to accounting for expected credit losses on financial instruments. The accounting pronouncement requires that measurement of expected credit losses be based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. While financial assets such as trade receivables, available-for-sale debt securities, guarantee contracts, loan commitments, and contract assets are within scope of ASU No. 2016-13, other assets such as contributions receivable, loans and receivables between entities under common control, and grants receivable are not within scope. The adoption of this accounting pronouncement had no material impact on the Organization's financial statements.

Upcoming Accounting Pronouncements

Significant upcoming accounting pronouncements relevant to the Organization have not been identified as of December 31, 2023.

Note 10 - Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 5, 2024, which is the date on which the financial statements were available to be issued.