Financial Report

Liberty's Kitchen, Inc.

December 31, 2023

Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS
A LIMITED LIABILITY COMPANY

Financial Report

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December 31, 2023

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Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Liberty's Kitchen, Inc.,
New Orleans, Louisiana.

Opinion

We have audited the accompanying financial statements of Liberty's Kitchen, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization 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.

P.O. BOX 60600 • NEW ORLEANS, LA 70160-0600 • 504•831•4949 • BOURGEOISBENNETT.COM
P.O. BOX 2168 • HOUMA, LA 70361-2168 • 985•868•0139
34 LOUIS PRIMA, SUITE B • COVINGTON, LA 70433-5903 • 985•246•3022

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 and *Government 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 and *Government 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 the Organization'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 the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in Schedule 1 is presented for the purposes of additional analysis, is required by Louisiana Revised Statute 24:513(A)(3) and is not a required part of the financial statements. Such information in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and our report dated June 22, 2023, expressed an unmodified opinion, on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2022 is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.

Other Reporting Required of *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2024 on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
August 13, 2024.

STATEMENT OF FINANCIAL POSITION

Liberty’s Kitchen, Inc.
New Orleans, Louisiana

December 31, 2023
(with comparative totals for 2022)

	2023	2022
Assets		
Cash and cash equivalents	$ 885,606	$1,484,641
Accounts receivable	21,578	15,752
Grants receivable	259,236	179,496
Unconditional promises to give	-	20,000
Inventory	1,330	-
Prepaids and other assets	3,567	3,671
Right-of-use asset	697,503	805,729
Property and equipment, net	239,398	395,247
Total assets	$2,108,218	$2,904,536
Liabilities		
Accounts payable	$ 53,384	$ 40,114
Accrued expenses	12,497	14,999
Deposits	2,000	2,000
Lease liability	717,863	819,303
Notes payable	500,000	500,000
Total liabilities	1,285,744	1,376,416
Net Assets		
Without donor restrictions	386,593	810,917
With donor restrictions	435,881	717,203
Total net assets	822,474	1,528,120
Total liabilities and net assets	$2,108,218	$2,904,536

See notes to financial statements.

STATEMENT OF ACTIVITIES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023
(with comparative totals for 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Totals	2022 Totals
Revenues and Support				
Private grants	$ 374,318	$ 185,982	$ 560,300	$ 369,000
Restaurant sales	30,640	-	30,640	-
Government grants	234,667	-	234,667	296,637
Contributions	74,956	-	74,956	64,363
Catering income	26,432	-	26,432	23,614
Contributed nonfinancial assets	12,946	-	12,946	-
Special events, net	22,533	-	22,533	37,840
Gain (loss) on disposal of property and equipment	-	-	-	(33,505)
Lease income	9,300	-	9,300	30,000
Other	12,746	-	12,746	12,407
Net assets released from restrictions	467,304	(467,304)	-	-
Total revenues and support	1,265,842	(281,322)	984,520	800,356
Expenses				
Program services	1,062,260	-	1,062,260	876,107
Supporting services:				
General and administration	379,812	-	379,812	404,740
Fundraising	248,094	-	248,094	168,677
Total expenses	1,690,166	-	1,690,166	1,449,524
Change in Net Assets	(424,324)	(281,322)	(705,646)	(649,168)
Net Assets				
Beginning of year	810,917	717,203	1,528,120	2,177,288
End of year	$ 386,593	$ 435,881	$ 822,474	$ 1,528,120

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Liberty's Kitchen, Inc.

New Orleans, Louisiana

For the year ended December 31, 2023
(with comparative totals for 2022)

	2023							
	Youth Development Program	Refresh Café & Catering	Commissary	Total Program Services	General and Administration	Fundraising	Totals	2022 Totals
Salaries and wages	$ 214,562	$ 19,961	$ -	$ 234,523	$ 88,533	$ 125,944	$ 449,000	$ 479,318
Occupancy	145,875	25,883	41	171,799	47,602	45,963	265,364	256,855
Professional fees	138,675	8,420	1,755	148,850	45,485	24,720	219,055	94,768
Training programs	173,038	-	-	173,038	1,340	188	174,566	139,363
Operating costs	35,839	8,048	-	43,887	57,964	12,135	113,986	119,525
Food service operations	20,550	45,407	4,935	70,892	3,250	1,234	75,376	60,841
Bad debt expense	-	-	-	-	71,330	-	71,330	-
Employee benefits	21,792	1,452	-	23,244	8,495	12,554	44,293	50,025
Payroll taxes	17,962	1,671	-	19,633	7,411	10,543	37,587	38,548
Cost of sales	-	27,647	-	27,647	-	-	27,647	-
Special event expenses	-	-	-	-	-	24,396	24,396	79,158
Development expense	1,723	4,723	-	6,446	250	14,706	21,402	7,501
Interest expense	-	-	-	-	12,500	-	12,500	13,045
Return of unspent funds	-	-	-	-	11,365	-	11,365	-
Miscellaneous expenses	-	-	-	-	-	107	107	-
Totals	770,016	143,212	6,731	919,959	355,525	272,490	1,547,974	1,338,947
Depreciation	142,301	-	-	142,301	24,287	-	166,588	189,735
Total expenses	912,317	143,212	6,731	1,062,260	379,812	272,490	1,714,562	1,528,682
Less special events netted with revenues	-	-	-	-	-	(24,396)	(24,396)	(79,158)
Total expenses on Statement of Activities	$ 912,317	$ 143,212	$ 6,731	$ 1,062,260	$ 379,812	$ 248,094	$ 1,690,166	$ 1,449,524

See notes to financial statements.

STATEMENT OF CASH FLOWS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023
(with comparative totals for 2022)

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$(705,646)	$ (649,168)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	166,588	189,735
Bad debt	71,330	-
Accrued operating lease obligations	6,786	6,788
Loss on disposal of property and equipment	-	33,505
Decrease (increase) in assets:		
Accounts receivable	(5,826)	(5,607)
Grants receivable	(151,070)	58,362
Unconditional promises to give	20,000	-
Inventory	(1,330)	-
Prepaid expenses	104	5,534
Increase (decrease) in liabilities:		
Accounts payable	13,270	11,750
Accrued expenses	(2,502)	(5,821)
Net cash used in operating activities	(588,296)	(354,922)
Cash Flows From Investing Activities		
Purchases of property and equipment	(10,739)	-
Cash Flows From Financing Activities		
Payments on Paycheck Protection Program loan payable	-	(258,352)
Payments on notes payable	-	(65,772)
Net cash used in financing activities	-	(324,124)
Net Decrease in Cash and Cash Equivalents	(599,035)	(679,046)
Cash and Cash Equivalents		
Beginning of year	1,484,641	2,163,687
End of year	$ 885,606	$1,484,641
Supplemental Information		
Cash paid during the year for interest	$ 12,500	$ 14,983

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2023 and 2022

Note 1 - NATURE OF ACTIVITIES

Liberty's Kitchen, Inc. (a non-profit organization) (the "Organization") was established on May 2, 2008. The Organization is a social enterprise whose mission is to transform the lives of New Orleans youth by providing a path to self-efficiency through food service based training, leadership, and employment programs.

Liberty's Youth Development Program provides opportunity for youth, ages sixteen through twenty-four, with the opportunity to build a better future by increasing their ability to change their situation and engage in a supportive community where they learn life, social, and employability skills in a culinary setting. The intensive training program combines hands-on food-service training with classroom instruction, individual case management, education programs, and job placement services and/or a return to an education setting.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

b. Basis of Presentation

The Organization reports information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by action of the Organization and/or the passage of time, or net assets subject to donor-imposed stipulations that are maintained in perpetuity by the Organization.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. 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.

d. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all short-term highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

e. Accounts Receivable

Accounts receivable consist primarily of unsecured amounts due from various customers. Accounts receivables are stated at the amount management expects to collect based on their review of outstanding balances.

Collection losses have historically not been significant. As of December 31, 2023 and 2022, management concluded that based on its review of accounts receivable balances outstanding, a valuation allowance was not required.

The Organization estimates credit losses associated with accounts receivable using as expected credit loss model, which utilizes an aging schedule methodology based on historical information and adjusted for asset-specific considerations and current economic conditions.

The Organization’s approach considers a number of factors, including overall historical credit losses and payment experience, as well as current collection trends such as write-off frequency.

f. Grants Receivable

The Organization records private grants receivable when grants are awarded and government grants receivable on an expense reimbursement basis. Grants receivable are stated at the amount management expects to collect based on their review of the outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for credit losses provided by the Organization’s management for both of the years ended December 31, 2023 and 2022.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

There were no unconditional promises to give as of December 31, 2023. The Organization’s unconditional promises to give totaled $20,000 as of December 31, 2022.

Unconditional promises are recorded net of an allowance for credit estimated by management. As of December 31, 2023 and 2022, management believes that promises to give are fully collectible.

h. Inventory

Food inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

i. Leases

The Organization is a lessee in a noncancelable operating lease. Since the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. There were no adjustments for 2023 and 2022.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred. There were no variable lease payments in 2023 and 2022 due to changes in index rates.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid lease payments, less the unamortized balance of lease incentives received; and any impairment recognized. There were no initial direct costs, prepaid lease payments, incentives, or impairment in 2023 and 2022.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Leases (Continued)

The Organization has elected the option to use its implicit borrowing rate of 4.75%.

Right-of-use assets and liabilities as of December 31, 2023 and 2022 are presented as separate line items on the Organization's statements of financial position.

j. Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Donations of property and equipment are recorded as contributions in-kind at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the use of the donated asset to a specific purpose. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. The Organization follows a policy of capitalizing all expenditures of property and equipment in excess of $5,000. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related depreciable assets which range from five to seven years.

k. Revenue Recognition

Revenues from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, "*Revenues from Contracts with Customers*", as amended. ASU No. 2014-09 applies to exchange transactions with customers and donors that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its Statements of Activities for the years ended December 31, 2023 and 2022:

Rental Income

The Organization recognizes rental income on the renting of business space for short-term purposes. The Organization recognized rental income of $9,300 and $30,000 for the years ended December 31, 2023 and 2022, respectively.

Special Events

The Organization conducts fundraisers in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event-the exchange component, and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at the event is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs, which ultimately benefit

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Revenue Recognition (Continued)

Special Events (Continued)

the donor rather than the Organization, are recorded as fundraising expenses in the Statement of Activities. The performance obligation is the event being held. FASB ASU No. 2014-09 requires allocation of the transaction price to the performance obligation. Accordingly, the Organization separately presents in Note 12 the exchange and contribution components of the gross proceeds from special events.

l. Contributions

Contributions are recorded as assets with donor restrictions or assets without donor restrictions, depending on the existence or nature of any donor restrictions.

Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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 restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

m. Donated Services of Volunteers

Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. A substantial number of volunteers donate significant amounts of their time in the Organization’s program and supporting services.

n. Methods Used for Allocation of Expenses

Most of the expenses can be directly allocated to one of the programs or supporting functions. The financial statements also 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 expenses that are allocated include occupancy and operating costs which are allocated based on facility square footage. Salaries and wages, employee benefits, and payroll taxes are allocated on the basis of estimates of time and effort.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Income Taxes

The Organization has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501 (c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended December 31, 2020 and later remain subject to examination by the taxing authorities. As of December 31, 2023, management of the Organization believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

p. Recently Issued Accounting Standards

Current Expected Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses*" (Topic 326) and has since modified the standard with several ASUs (collectively, the "new credit loss standard"). The new credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is 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. As of January 1, 2023, the Organization has adopted this standard, and it was applied prospectively after this date.

q. Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

r. Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 13, 2024, which is the date the financial statements were available to be issued.

Note 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at several financial institutions located in southeast Louisiana. The Federal Deposit Insurance Corporation insures accounts at each institution up to $250,000 as of December 31, 2023. As of December 31, 2023, approximately $685,000 was uninsured.

Note 4 - GRANTS RECEIVABLE

The balance of grants receivable, which are all deemed collectible by management, totaled $259,236 and $179,496 as of December 31, 2023 and 2022, respectively.

The details of grants receivable as of December 31, 2023 and 2022 are as follows:

	2023	2022
W.K. Kellogg Foundation	$200,000	$ -
Baptist Community Ministries	-	52,668
American Hotel and Lodging Association Foundation	-	35,000
Recirculating Farms Coalition	-	10,000
Total private foundation grants receivable	200,000	97,668
Department of Children and Family Services	59,236	81,828
Total grants receivable before discount	259,236	179,496
Less discount	-	-
Totals	$259,236	$179,496
Amounts due in:		
Less than one year	$259,236	$179,496
One to five years	-	-
Totals	$259,236	$179,496

Note 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Unconditional promises to give:		
United Way	$ -	$20,000
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	$ -	$20,000
Amount due in:		
Less than one year	$ -	$20,000
One to five years	-	-
Totals	$ -	$20,000

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022 consists of the following:

	2023	2022
Leasehold improvements	$1,679,145	$1,682,090
Furniture and fixtures	24,618	25,379
Machinery and equipment	295,122	385,346
Capital improvements	49,732	49,732
Less accumulated depreciation	(1,809,219)	(1,747,300)
	$ 239,398	$ 395,247

Depreciation expense was $166,588 and $189,735 for the years ended December 31, 2023 and 2022, respectively.

Note 7 - LINE OF CREDIT

The Organization renewed an unsecured line of credit on August 12, 2020 with a local financial institution that provided borrowings up to $300,000. The line of credit bore interest at a rate equal to 1-month LIBOR plus 3.75%. The note requires monthly interest only payments. The line of credit was extended on August 25, 2022 with a maturity date of October 19, 2024 and bears interest at a rate equal to Wall Street Journal Prime rate plus 3.75% (12.25% and 11.25% for the years ended December 31, 2023 and 2022, respectively). There was no outstanding balance on the line of credit as of December 31, 2023 and 2022.

The Organization renewed a second line of credit on August 12, 2020 with a local financial institution that provided borrowings up to $300,000. The line of credit was subsequently renewed on August 11, 2022. The line of credit bears interest at a rate equal to Wall Street Journal prime rate plus 1.50% (10.0% and 9.0% for the years ended December 31, 2023 and 2022, respectively). The note requires monthly interest only payments and matures on October 19, 2024. The line of credit is secured by all furniture, fixtures, and receivables. There was no outstanding balance on the line of credit as of December 31, 2023 and 2022.

Note 8 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 16, 2021, the Organization received a $258,352 loan from First Horizon Bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). The loan bore interest at 1.0% payable in monthly principal and interest payments of $6,062 beginning July 6, 2022 through December 16, 2026. The Organization paid off the loan on August 5, 2022. Interest expense on the loan totaled $1,636 for the year ended December 31, 2022.

Note 9 - NOTES PAYABLE

On November 21, 2018, Liberty executed a promissory note in the amount of $500,000 with a private foundation to consolidate debt and to provide working capital. The agreement provided for payments of interest only quarterly at 2%, $2,500 per quarter with a balloon payment of $500,000 due November 21, 2023. The note was unsecured. On December 29, 2023, the note was amended to provide for principal-only payments of $25,000 quarterly in 2024 and principal-only payments of $5,000 monthly beginning January 1, 2025 through the new maturity date of August 1, 2031. No interest will be charged on the note. The outstanding balance of the note as of December 31, 2023 and 2022 was $500,000.

Note 9 - NOTES PAYABLE (Continued)

On May 24, 2017, the Organization executed a promissory note for $311,762 with a local financial institution to refinance the remaining balance of the Capital Impact Partners note. The agreement provided for payments of principal plus interest at 4.8%, $3,287 per month. The loan originally called for a balloon payment of approximately $41,000 due on May 24, 2024. The Organization made additional principal payments of $55,000 during the year ended December 31, 2021. The Organization paid off the loan on April 8, 2022. The loan was secured with property and equipment maintained at the leased building.

Future maturities of the notes payable are as follows:

Year Ending December 31,	Amounts
2024	$ 100,000
2025	60,000
2026	60,000
2027	60,000
2028	60,000
Thereafter	160,000
	$ 500,000

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2023 and 2022 totaled $12,500 and $10,979, respectively. There was no other interest expense for the year ended December 31, 2023. Other interest expense totaled $430 for the year ended December 31, 2022.

Note 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2023 and 2022 are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose:		
Programs:		
Youth Development Program	$421,103	$682,203
Oscar J. Tolmas Charitable Trust Technology Lab	14,778	-
Total programs	435,881	682,203
Subject to the passage of time:		
For periods after December 31, 2023 and 2022	-	35,000
Total restricted net assets	$435,881	$717,203

Net assets released from restrictions for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Purpose restriction satisfied:		
Youth Development Program	$432,304	$709,016
Oscar J. Tolmas Charitable Trust Technology Lab	-	35,000
Supporting Youth and Feeding the Community	-	19,482
Passage of time	35,000	-
	$467,304	$763,498

Note 11 - LEASES

Lessee

The Organization leases office space under long-term non-cancelable operating lease agreements. Monthly lease payments are $11,469 through July 15, 2024 and $12,430 through July 15, 2029. The lease expires on July 15, 2029. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization’s operating lease provides for increases in future minimum annual lease payments. The Organization has elected the option to use its implicit borrowing rate of 4.75%.

Note 11 - LEASES (Continued)

Reported under FASB ASC 842 for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Lease Cost		
Operating lease costs	$144,408	$ 144,408
Cash Flow Items		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$137,622	$ 137,622
Right-of-use assets obtained in exchange for lease liabilities:		
Operating lease	$ -	$ -
Operating lease obligations	$ -	$ -
Weighted-Average Information		
Weighted-average remaining lease in year	5.5	6.5
Weighted-average discount rate:		
Operating leases	4.75%	4.75%

Future minimum lease payments

Year Ending December 31,	Amounts
2024	$143,391
2025	149,160
2026	149,160
2027	149,160
2028	149,160
Thereafter	74,579
	814,610
Total lease payments less interest	(96,747)
Present value of lease liabilities	$717,863

Note 11 - LEASES (Continued)

Lessor

On January 1, 2021, the Organization entered into a sublease agreement for building space. The monthly lease for this lease was $2,500, and the lease term was through December 31, 2021. This lease is currently operating under a month-to-month basis. Three payments of $2,500 and six payments of $300 were received during the year ended December 31, 2023. Lease income was $9,300 and $30,000 for the years ended December 31, 2023 and 2022, respectively, and is included in lease income on the Statement of Activities.

Note 12 - SPECIAL EVENT REVENUE

Gross receipts from special fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. As a result of adopting ASU No. 2014-09 during 2020, the Organization is required to separately present the components of this revenue for the years ended December 31, 2023 and 2022. Included in special event revenue is contributed nonfinancial assets for the event, as discussed in Note 13.

	2023	2022
Other special events revenue	$28,838	$101,632
Special event revenue	18,091	15,366
Special events - gross	46,929	116,998
Less: cost of direct donor benefit	(24,396)	(79,158)
Special events - net	$22,533	$ 37,840

Note 13 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the Statement of Activities included:

	2023	2022
Food	$12,946	$ -
Special event items	8,400	35,672
	$21,346	$35,672

The special event items are included in special event revenue for the years ended December 31, 2023 and 2022.

Note 13 - CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The Organization recognized contributed nonfinancial assets in special events, net and contributed nonfinancial assets on the Statement of Activities.

	Revenue Recognized 2023	Revenue Recognized 2022	Utilization in Activities	Donor Restrictions	Valuation Techniques and Inputs
Food	$ 12,946	$ -	Café and Youth Development Program	No associated donor restrictions	Estimated the fair value based on an estimate of the cost of purchasing similar items.
Special event items	$ 8,400	$ 35,672	Fundraising	No associated donor restrictions	Estimated the fair value based on an estimate of the cost of purchasing similar items.

Note 14 - AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has lines of credit in the amount of $600,000.

The Organization receives grants and contributions with donor time and purpose restrictions. In addition, the Organization generates revenue and receives support without donor restrictions.

Contributions without donor restrictions, catering sales, special events, and other income are considered to be available to meet cash needs for general expenditures. General expenditures include program services, general and administrative, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, the upcoming fiscal year.

Note 14 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following table represents financial assets available for general expenditures within one year as of December 31, 2023 and 2022:

	2023	2022
Financial assets as of December 31, 2023 and 2022:		
Cash and cash equivalents	$ 885,606	$ 1,484,641
Accounts receivable	21,578	15,752
Grants receivable, net	259,236	179,496
Unconditional promises to give, net	-	20,000
Total financial assets	1,166,420	1,699,889
Less amounts unavailable for general expenditures within one year, due to contractual or donor imposed restrictions:		
Purpose or time restricted net assets	(435,881)	(717,203)
Financial assets available to meet cash needs for general expenditures within one year	$ 730,539	$ 982,686

Note 15 - RISK MANAGEMENT

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and employee injuries. Commercial insurance coverage is purchased for claims arising from such matters. There were no settlement claims that exceeded this commercial coverage during the years ended December 31, 2023 and 2022.

SUPPLEMENTAL INFORMATION

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Liberty's Kitchen, Inc.

New Orleans, Louisiana

For the year ended December 31, 2023

Agency Head Name: Bernadette Lucas, Executive Director

Purpose	
Salary	$23,908
Benefits - insurance	417
Benefits - retirement	0
Benefits - other	1,776
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	$26,101

Note:

Above includes the Executive Director's salary, benefits, and other compensation paid through public funding received from the State of Louisiana.

SPECIAL REPORTS BY CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
Liberty's Kitchen, Inc.,
New Orleans, Louisiana.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Liberty's Kitchen, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated August 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected, and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

P.O. BOX 60600 • NEW ORLEANS, LA 70160-0600 • 504•831•4949 • BOURGEOISBENNETT.COM
P.O. BOX 2168 • HOUMA, LA 70361-2168 • 985•868•0139
34 LOUIS PRIMA, SUITE B • COVINGTON, LA 70433-5903 • 985•246•3022

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-001.

Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
August 13, 2024.

SCHEDULE OF FINDINGS AND RESPONSES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ____ Yes _X_ None reported

Noncompliance material to financial statements noted? _X_ Yes ____ No

b) Federal Awards

The Organization did not expend federal awards in excess of $750,000 during the year ended December 31, 2023 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2023 related to internal control over financial reporting.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements (Continued)

Compliance and Other Matters

2023-001 Late Filing of Audit Report with the Louisiana Legislative Auditor within Six Months of the Fiscal Year End (R.S. 24:513 and 24:514)

Criteria - Louisiana Revised Statutes 24:513 and 24:514 require the filing of the Organization's annual audited financial statements with the Louisiana Legislative Auditor's Office within six months after the fiscal year end.

Condition - The Organization was unable to file its annual audited financial statements with the Louisiana Legislative Auditor within six months after fiscal year end.

Cause - Additional time was required by management and contracted accountants to reconcile the general ledger, subsidiary ledgers, and schedules required for the annual audit.

Effect - The audit of the Organization's financial statements could not be completed until subsequent to June 30, 2024 and as a result, the audited financial statements could not be filed with the Louisiana Legislative Auditor's Office within the six months required by Louisiana Revised Statutes 24:513 and 24:514.

Recommendation - We recommend that the year-end close and annual reconciliations be prepared timely by management and the contracted outside accountants to ensure that information requested by the auditors is available on a timely basis and to ensure adequate time is available to complete the audit and have the audited financial statements filed with the Louisiana Legislative Auditor within six months of fiscal year end.

Views of responsible officials of the auditee when there is a disagreement with the finding, to the extent practical - None.

Section III - Internal Control and Compliance Material to Federal Awards

Internal Control/Compliance

The Organization did not expend federal awards in excess of $750,000 during the year ended December 31, 2023 and therefore is exempt from the audit requirements under the *Uniform Guidance.*

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2022 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2022 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

The Organization did not expend federal awards in excess of $750,000 during the year ended December 31, 2022 and, therefore, is exempt from the audit requirements under the *Uniform Guidance.*

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2022.

MANAGEMENT'S CORRECTIVE ACTION PLAN ON CURRENT YEAR FINDINGS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2023

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2023 related to internal control over financial reporting.

Compliance and Other Matters

2023-001 Late Filing of Audit Report with the Louisiana Legislative Auditor within Six Months of the Fiscal Year End (R.S. 24:513 and 24:514)

Recommendation - We recommend that the year-end close and annual reconciliations be prepared timely by management and the contracted outside accountants to ensure that information requested by the auditors is available on a timely basis and to ensure adequate time is available to complete the audit and have the audited financial statements filed with the Louisiana Legislative Auditor within six months of fiscal year end.

Management's Corrective Action - The Organization will implement procedures to ensure the audit is completed timely and the issuance of the audited financial statements to the Louisiana Legislative Auditor is performed timely and in compliance with L.R.S. 24:513 and 24:514.

Section II - Internal Control and Compliance Material to Federal Awards

The Organization did not expend federal awards in excess of $750,000 during the year ended December 31, 2023 and, therefore, is exempt from the audit requirements under the *Uniform Guidance.*

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2023.