

Financial Report

Liberty's Kitchen, Inc.

December 31, 2022



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Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2022 and 2021

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 2n to the financial statements, during the year ended December 31, 2022, The Organization adopted Accounting Standards Update (ASU) No. 2016-02, "Leases" (Topic 842). 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 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 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 2021 financial statements, and our report dated June 28, 2022, 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, 2021 is consistent, in all material respects, with the 2021 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 June 22, 2023 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.



Certified Public Accountants.

New Orleans, Louisiana,
June 22, 2023.

STATEMENT OF FINANCIAL POSITION**Liberty's Kitchen, Inc.**

New Orleans, Louisiana

December 31, 2022

(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,484,641	\$ 2,163,687
Accounts receivable	15,752	10,145
Grants receivable, net	179,496	237,858
Unconditional promises to give, net	20,000	20,000
Prepays and other assets	3,671	24,682
Right-of-use asset	805,729	909,259
Property and equipment, net	395,247	618,487
	<u>\$ 2,904,536</u>	<u>\$ 3,984,118</u>
Liabilities		
Accounts payable	\$ 40,114	\$ 28,364
Accrued expenses	14,999	36,297
Deposits	2,000	2,000
Lease liability	819,303	916,045
Paycheck Protection Program loan payable	-	258,352
Notes payable	500,000	565,772
	<u>1,376,416</u>	<u>1,806,830</u>
Net Assets		
Without donor restrictions	810,917	1,001,587
With donor restrictions	717,203	1,175,701
	<u>1,528,120</u>	<u>2,177,288</u>
Total net assets	<u>1,528,120</u>	<u>2,177,288</u>
Total liabilities and net assets	<u>\$ 2,904,536</u>	<u>\$ 3,984,118</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Liberty's Kitchen, Inc.**

New Orleans, Louisiana

For the year ended December 31, 2022
(with comparative totals for 2021)

	2022		Totals	2021 Totals
	Without Donor Restrictions	With Donor Restrictions		
Revenues and Support				
Private grants	\$ 64,000	\$ 305,000	\$ 369,000	\$ 682,624
Government grants	296,637	-	296,637	406,856
Contributions	64,363	-	64,363	129,532
Rental income	23,614	-	23,614	4,145
Contributed nonfinancial assets	-	-	-	15,000
Special events, net	37,840	-	37,840	54,336
Paycheck Protection Program loan forgiveness	-	-	-	274,400
Gain (loss) on disposal of property and equipment	(33,505)	-	(33,505)	7,534
Other	42,407	-	42,407	50,644
Net assets released from restrictions	763,498	(763,498)	-	-
Total revenues and support	1,258,854	(458,498)	800,356	1,625,071
Expenses				
Program services	876,107	-	876,107	928,737
Supporting services:				
General and administration	404,740	-	404,740	419,166
Fundraising	168,677	-	168,677	125,081
Total expenses	1,449,524	-	1,449,524	1,472,984
Change in Net Assets	(190,670)	(458,498)	(649,168)	152,087
Net Assets				
Beginning of year, as restated	1,001,587	1,175,701	2,177,288	2,025,201
End of year	\$ 810,917	\$ 717,203	\$ 1,528,120	\$ 2,177,288

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Liberty's Kitchen, Inc.**
New Orleans, LouisianaFor the year ended December 31, 2022
(with comparative totals for 2021)

	2022			Totals	2021 Totals
	Youth Development Program	General and Administration	Fundraising		
Salaries and wages	\$ 279,933	\$ 122,761	\$ 76,624	\$ 479,318	\$ 500,201
Occupancy	146,276	60,593	49,986	256,855	278,505
Training programs	139,081	213	69	139,363	192,464
Operating costs	53,126	54,542	11,857	119,525	55,255
Professional fees	15,800	69,424	9,544	94,768	43,051
Special event expenses	-	-	79,158	79,158	53,921
Food service operations	47,907	10,775	2,159	60,841	73,208
Employee benefits	28,254	14,447	7,324	50,025	38,100
Payroll taxes	22,513	9,873	6,162	38,548	39,434
Interest expense	-	13,045	-	13,045	9,185
Development expense	916	1,633	4,952	7,501	20,519
Totals	733,806	357,306	247,835	1,338,947	1,303,843
Depreciation	142,301	47,434	-	189,735	223,062
Total expenses	876,107	404,740	247,835	1,528,682	1,526,905
Less special events netted with revenues	-	-	(79,158)	(79,158)	(53,921)
Total expenses on Statement of Activities	\$ 876,107	\$ 404,740	\$ 168,677	\$ 1,449,524	\$ 1,472,984

See notes to financial statements.

STATEMENT OF CASH FLOWS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (649,168)	\$ 152,087
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	189,735	223,062
Accrued operating lease obligations	6,788	6,786
(Gain) loss on disposal of property and equipment	33,505	(7,534)
Paycheck Protection Program loan forgiveness	-	(274,400)
Decrease (increase) in assets:		
Accounts receivable	(5,607)	9,796
Grants receivable	58,362	514,438
Unconditional promises to give	-	10,000
Prepaid expenses	5,534	1,859
Increase (decrease) in liabilities:		
Accounts payable	11,750	(58,202)
Accrued expenses	(5,821)	10,401
Net cash provided by (used in) operating activities	<u>(354,922)</u>	<u>588,293</u>
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	<u>-</u>	<u>22,500</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan payable	-	258,352
Payments on Paycheck Protection Program loan payable	(258,352)	-
Payments on notes payable	<u>(65,772)</u>	<u>(87,844)</u>
Net cash provided by (used in) financing activities	<u>(324,124)</u>	<u>170,508</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(679,046)</u>	<u>781,301</u>
Cash and Cash Equivalents		
Beginning of year	<u>2,163,687</u>	<u>1,382,386</u>
End of year	<u>\$ 1,484,641</u>	<u>\$ 2,163,687</u>
Supplemental Information		
Cash paid during the year for interest	<u>\$ 14,983</u>	<u>\$ 7,247</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Prepaid expenses in accrued expenses	<u>\$ -</u>	<u>\$ 15,477</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2022 and 2021

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 consists primarily of unsecured amounts due from various customers. Management closely monitors outstanding receivable and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. All accounts are considered fully collectible by management. Accordingly, no provision for doubtful accounts is considered necessary.

f. 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. For both of the years ended December 31, 2022 and 2021, The Organization's unconditional promises to give totaled \$20,000.

Unconditional promises are recorded net of an allowance for doubtful pledges estimated by management. As of December 31, 2022 and 2021, management believes that promises to give are fully collectible.

g. 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 adjustment for 2022 and 2021.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Leases (Continued)

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 2022 and 2021 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 2022 and 2021.

The Organization has elected the option to use its implicit borrowing rate of 4.75% as of December 31, 2021.

Right-of-use assets and liabilities as of December 31, 2022 and 2021 are presented as separate line items on the Organization's statements of financial position.

h. 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.

i. Revenue Recognition

Revenues from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) 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, 2022 and 2021:

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Revenue Recognition (Continued)

Rental Income

The Organization recognizes rental income on the renting of business space for short-term purposes. The Organization recognized rental income of \$23,614 and \$4,145 for the years ended December 31, 2022 and 2021, 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 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.

j. 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.

k. 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. 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.

m. 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, 2019 and later remain subject to examination by the taxing authorities. As of December 31, 2022, management of the Organization believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

n. Recently Issued Accounting Standards

Leases

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). This ASU requires that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statements of Activities and the Statements of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The adoption of this standard was retrospectively applied to the financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Recently Issued Accounting Standards (Continued)

Leases (Continued)

The key change upon adoption of the standard was the recognition of operating leases on the Statements of Financial Position, given that the recognition of lease expense on the Statements of Activities is similar to the Organization's historical accounting. The Organization elected the practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Organization to carry forward the historical lease classification. Leases with original terms of one year or less were excluded. Additionally, the Organization elected not to separate lease and non-lease components for certain assets.

The adoption of ASC 842 resulted in the recognition of a right-of-use asset as of December 31, 2022 and 2021 of \$805,729 and \$909,259, and a lease liability of \$819,303 and \$916,045, respectively.

The impact of adopting the new guidance is as follows:

	Amounts that Were Reported Under Former Guidance	Effects of Applying New Guidance	Amounts That Will Be Reported Under New Guidance
Assets			
Right-of-use asset	\$ -	\$ 1,008,310	\$ 1,008,310
Liabilities			
Lease liability	\$ -	\$ 1,008,310	\$ 1,008,310
Effect on Net Assets - 2021	\$ -	\$ -	\$ -
Effect on Expenses			
Total expenses - 2021	\$ 1,466,198	\$ 6,786	\$ 1,472,984
Effect on Net Assets - 2022			
Beginning net assets	\$ 2,184,074	\$ (6,786)	\$ 2,177,288

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Recently Issued Accounting Standards (Continued)

Lease Discount Rate

In November 2021, the FASB issued ASU No. 2021-09, “*Lease Discount Rate for Leases That Are Not Public Business Entities*” (Topic 842). This ASU currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. The adoption of this standard was retrospectively applied to the financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*” (Topic 958). The amendments in this update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes property and equipment (such as land, buildings, and equipment), use of property and equipment utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The adoption of this standard was retrospectively applied to the financial statements.

o. Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 financial statement presentation.

p. 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 June 22, 2023, 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, 2022. As of December 31, 2022, approximately \$1,230,000 was uninsured.

Note 4 - GRANTS RECEIVABLE

The balance of grants receivable, which are all deemed collectible by management, totaled \$179,496 and \$237,858 as of December 31, 2022 and 2021, respectively. The Organization has discounted the value of future grants receivables by using an estimated borrowing rate of 5%.

The details of grants receivable as of December 31, 2022 and 2021 are as follows:

	2022	2021
Baptist Community Ministries	\$ 52,668	\$ 140,449
American Hotel and Lodging Association Foundation	35,000	25,000
Recirculating Farms Coalition	10,000	-
Total private foundation grants receivable	97,668	165,449
Department of Children and Family Services	81,828	72,409
Total grants receivable before discount	179,496	237,858
Less discount	-	-
Totals	\$ 179,496	\$ 237,858
Amounts due in:		
Less than one year	\$ 179,496	\$ 237,858
One to five years	-	-
Totals	\$ 179,496	\$ 237,858

Note 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Unconditional promises to give:		
United Way	\$ 20,000	\$ 20,000
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	\$ 20,000	\$ 20,000
Amount due in:		
Less than one year	\$ 20,000	\$ 20,000
One to five years	-	-
Totals	\$ 20,000	\$ 20,000

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consists of the following:

	2022	2021
Leasehold improvements	\$ 1,682,090	\$ 1,707,090
Furniture and fixtures	25,379	131,159
Machinery and equipment	385,346	385,346
Capital improvements	49,732	49,732
Less accumulated depreciation	(1,747,300)	(1,654,840)
	\$ 395,247	\$ 618,487

Depreciation expense was \$189,735 and \$223,062 for the years ended December 31, 2022 and 2021, 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 bears interest at a rate equal to 1-month LIBOR plus 3.75% (3.85% as of December 31, 2021). The note requires monthly interest only payments. The line of credit was extended on August 25, 2022 with a maturity date of August 24, 2023 and bears interest at a rate equal to Wall Street Journal Prime rate plus 3.75% (11.25% as of December 31, 2022). There was no outstanding balance on the line of credit as of December 31, 2022 and 2021.

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% as of December 31, 2022 (9.0% and 4.75% for the years ended December 31, 2022 and 2021, respectively). The note requires monthly interest only payments and matures on August 24, 2023. 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, 2022 and 2021.

Note 8 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 20, 2020, the Organization received a \$274,400 loan from Iberia Bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). The loan was repaid by the SBA (forgiven) on September 13, 2021, and all expenditures paid from the loan proceeds were approved as eligible for loan forgiveness under the requirements of PPP. The funding was recognized as revenue in the year ended December 31, 2021.

On March 16, 2021, the Organization received a \$258,352 loan from First Horizon Bank under the PPP of the U.S. SBA. The loan bears 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 and \$1,938 for the years ended December 31, 2022 and 2021, respectively.

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 provides 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. The outstanding balance of the note as of December 31, 2022 and 2021 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 provides 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 is secured with property and equipment maintained at the leased building. The outstanding balance of the note as of December 31, 2021 was \$65,772.

Future maturities of the notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2023	<u>\$ 500,000</u>

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2022 and 2021 totaled \$10,979 and \$6,603, respectively. Other interest expense totaled \$430 and \$644 for the years ended December 31, 2022 and 2021, respectively.

Note 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Programs:		
Youth Development Program	\$ 682,203	\$ 1,121,219
Oscar J. Tolmas Charitable Trust		
Technology Lab	-	35,000
Supporting Youth and Feeding the Community	-	<u>19,482</u>
Total programs	682,203	1,175,701
Subject to the passage of time:		
For periods after		
December 31, 2022 and 2021	<u>35,000</u>	<u>-</u>
Total restricted net assets	<u>\$ 717,203</u>	<u>\$ 1,175,701</u>

Note 10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Purpose restriction satisfied:		
Youth Development Program	\$ 709,016	\$ 291,656
Oscar J. Tolmas Charitable Trust		
Technology Lab	35,000	-
Supporting Youth and Feeding the Community	19,482	-
Passage of time		184,767
	\$ 763,498	\$ 476,423

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Lease Cost		
Operating lease costs	<u>\$ 144,408</u>	<u>\$ 144,408</u>
Cash Flow Items		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 137,622</u>	<u>\$ 137,622</u>
Right-of-use assets obtained in exchange for lease liabilities:		
Operating lease	<u>\$ -</u>	<u>\$ -</u>
Operating lease obligations	<u>\$ -</u>	<u>\$ -</u>
Weighted-Average Information		
Weighted-average remaining lease in year	6.5	7.5
Weighted-average discount rate:		
Operating leases	4.75	4.75
Future Minimum Lease Payments		
<u>Year Ending December 31,</u>	<u>Amounts</u>	
2023	\$ 137,622	
2024	143,391	
2025	149,160	
2026	149,160	
2027	149,160	
Thereafter	<u>223,740</u>	
	952,233	
Total lease payments less interest	<u>(132,930)</u>	
Present value of lease liabilities	<u>\$ 819,303</u>	

Note 11 - LEASES (Continued)

Lessor

On January 1, 2021, the Organization entered into a sublease agreement for building space. 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 with monthly payments of \$2,500. Lease income was \$30,000 for each of the years ended December 31, 2022 and 2021 and is included in other 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, 2022 and 2021. Included in special event revenue is contributed nonfinancial assets for the event, as discussed in Note 13.

	2022	2021
Other special events revenue	\$ 101,632	\$ 93,682
Special event revenue	15,366	14,575
Special events - gross	116,998	108,257
Less: cost of direct donor benefit	(79,158)	(53,921)
Special events - net	\$ 37,840	\$ 54,336

Note 13 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the Statement of Activities included:

	2022	2021
Rent	\$ -	\$ 15,000
Special event items	35,672	17,575
	\$ 35,672	\$ 32,575

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.

	<u>Revenue Recognized</u>		<u>Utilization</u> <u>in</u> <u>Activities</u>	<u>Donor</u> <u>Restrictions</u>	<u>Valuation</u> <u>Techniques</u> <u>and Inputs</u>
	<u>2022</u>	<u>2021</u>			
Rent	<u>\$ -</u>	<u>\$ 15,000</u>	Youth Development Program	No associated donor restrictions	Estimated the fair value based on an amount provided by the lessor.
Special event items	<u>\$ 35,672</u>	<u>\$ 17,575</u>	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, 2022 and 2021:

	2022	2021
Financial assets as of		
December 31, 2022 and 2021:		
Cash and cash equivalents	\$ 1,484,641	\$ 2,163,687
Accounts receivable	15,752	10,145
Grants receivable, net	179,496	237,858
Unconditional promises to give, net	20,000	20,000
Total financial assets	1,699,889	2,431,690
Less amounts unavailable for general expenditures within one year, due to contractual or donor imposed restrictions:		
Purpose or time restricted net assets	(717,203)	(1,175,701)
Financial assets available to meet cash needs for general expenditures within one year	\$ 982,686	\$ 1,255,989

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, 2022 and 2021.

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, 2022

Agency Head Name:	Dennis Bagneris, Executive Director January 1, 2022 Through July 31, 2022	Bernadette Lucas, Executive Director August 1, 2022 Through December 31, 2022
Purpose		
Salary	\$14,615	\$10,762
Benefits - insurance	80	66
Benefits - retirement	0	0
Benefits - other	1,074	810
Car allowance	0	0
Vehicle provided by government	0	0
Per diem	0	0
Reimbursements	0	0
Travel	0	0
Registration fees	0	0
Conference travel	0	0
Continuing professional education fees	0	0
Housing	0	0
Unvouchered expenses	0	0
Special meals	0	0
	<u>0</u>	<u>0</u>
	<u>\$15,769</u>	<u>\$11,638</u>

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, 2022, 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 June 22, 2023.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Certified Public Accountants.

New Orleans, Louisiana,
June 22, 2023.

SCHEDULE OF FINDINGS AND RESPONSES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2022

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

Noncompliance material to financial statements noted? Yes No

b) 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 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, 2022 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

No compliance findings material to the financial statements were reported during the audit for the year ended December 31, 2022.

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, 2022 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, 2022

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, 2021 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, 2021 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, 2021 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, 2021.

MANAGEMENT’S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

Liberty’s Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2022

**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 of the financial statements for the year ended December 31, 2022.