

*Financial Report*

*Liberty's Kitchen, Inc.*

*December 31, 2020*



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New Orleans, Louisiana

December 31, 2020 and 2019

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Liberty's Kitchen, Inc. ("Liberty") which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Liberty's preparation and fair presentation of the financial statements 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 Liberty's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty as of December 31, 2020, 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.

## **Other Matter**

### *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, as 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 Liberty's financial statements, and our report dated June 23, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for year ended December 31, 2019 is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 23, 2021, on our consideration of Liberty'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 Liberty's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,  
June 23, 2021.

**STATEMENT OF FINANCIAL POSITION****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaDecember 31, 2020  
(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,382,386	\$ 1,133,747
Accounts receivable	19,941	42,442
Grants receivable	752,296	164,011
Unconditional promises to give	30,000	20,000
Inventory	-	22,451
Prepays and other assets	30,498	37,646
Property and equipment, net	856,515	1,100,508
	<u>\$ 3,071,636</u>	<u>\$ 2,520,805</u>
<b>Liabilities</b>		
Accounts payable	\$ 86,566	\$ 56,761
Accrued expenses	31,853	112,742
Paycheck Protection Program Loan payable	274,400	-
Notes payable	653,616	684,778
	<u>1,046,435</u>	<u>854,281</u>
<b>Net Assets</b>		
Without donor restrictions	809,223	1,001,101
With donor restrictions	1,215,978	665,423
	<u>2,025,201</u>	<u>1,666,524</u>
Total liabilities and net assets	<u>\$ 3,071,636</u>	<u>\$ 2,520,805</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2020  
(with comparative totals for 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Totals	2019 Totals
<b>Revenues and Support</b>				
Private grants	\$ 765,793	\$1,165,506	\$1,931,299	\$ 473,050
Restaurant sales	162,341	-	162,341	710,710
Government grants	396,873	-	396,873	566,306
Contributions	212,533	-	212,533	279,469
Catering sales	70,199	-	70,199	195,983
Contributions in-kind	22,786	-	22,786	144,083
Special events, net	8,327	-	8,327	100,294
Other	38,480	-	38,480	14,638
Net assets released from restrictions	614,951	(614,951)	-	-
Total revenues and support	<u>2,292,283</u>	<u>550,555</u>	<u>2,842,838</u>	<u>2,484,533</u>
<b>Expenses</b>				
Program services	1,792,396	-	1,792,396	2,278,675
Supporting services:				
General and administration	450,342	-	450,342	432,977
Fundraising	241,423	-	241,423	269,005
Total expenses	<u>2,484,161</u>	<u>-</u>	<u>2,484,161</u>	<u>2,980,657</u>
<b>Change in Net Assets</b>	(191,878)	550,555	358,677	(496,124)
<b>Net Assets</b>				
Beginning of year	<u>1,001,101</u>	<u>665,423</u>	<u>1,666,524</u>	<u>2,162,648</u>
End of year	<u>\$ 809,223</u>	<u>\$1,215,978</u>	<u>\$2,025,201</u>	<u>\$1,666,524</u>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaFor the year ended December 31, 2020  
(with comparative totals for 2019)

	2020							2019	
	Youth Development Program	Poydras Cafeteria	Refresh Café & Catering	Healthy Corner Store Collaborative	Totals	General and Administration	Fundraising	Totals	Totals
Salaries and wages	\$ 484,733	\$133,345	\$223,591	\$33,454	\$ 875,123	\$127,556	\$150,252	\$1,152,931	\$1,206,857
Occupancy	74,234	22,786	78,407	-	175,427	70,884	14,452	260,763	325,894
Professional fees	28,944	4,144	14,136	-	47,224	54,743	33,203	135,170	79,153
Cost of sales	-	50,325	73,837	626	124,788	-	-	124,788	398,444
Employee benefits	54,942	4,928	22,636	-	82,506	23,453	17,490	123,449	127,249
Operating costs	21,775	1,357	15,262	-	38,394	78,849	3,842	121,085	128,290
Training programs	106,338	-	-	-	106,338	19	41	106,398	208,203
Payroll taxes	43,597	11,993	20,110	3,009	78,709	11,472	13,513	103,694	103,623
Food service operations	12,412	13,127	52,973	346	78,858	8,439	2,363	89,660	114,184
Interest expense	-	-	-	-	-	13,779	-	13,779	21,673
Special event expenses	-	-	-	-	-	-	8,557	8,557	91,661
Development expense	195	50	1,148	-	1,393	150	6,267	7,810	12,461
Other expenses	469	-	172	-	641	-	-	641	494
Totals	827,639	242,055	502,272	37,435	1,609,401	389,344	249,980	2,248,725	2,818,186
Depreciation	182,995	-	-	-	182,995	60,998	-	243,993	253,375
Amortization	-	-	-	-	-	-	-	-	757
Total expenses	1,010,634	242,055	502,272	37,435	1,792,396	450,342	249,980	2,492,718	3,072,318
Less special events netted with revenues	-	-	-	-	-	-	(8,557)	(8,557)	(91,661)
Total expenses on Statement of Activities	<u>\$1,010,634</u>	<u>\$242,055</u>	<u>\$502,272</u>	<u>\$37,435</u>	<u>\$1,792,396</u>	<u>\$450,342</u>	<u>\$241,423</u>	<u>\$2,484,161</u>	<u>\$2,980,657</u>

See notes to financial statements.



**STATEMENT OF CASH FLOWS****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaFor the year ended December 31, 2020  
(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 358,677	\$ (496,124)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	-	757
Depreciation expense	243,993	253,375
Decrease (increase) in assets:		
Accounts receivable	22,501	137
Grants receivable	(588,285)	786,947
Unconditional promises to give	(10,000)	-
Inventory	22,451	8,892
Prepaid expenses	3,161	3,101
Increase (decrease) in liabilities:		
Accounts payable	29,805	(17,458)
Accrued expenses	(76,902)	(19,114)
Net cash provided by operating activities	<u>5,401</u>	<u>520,513</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Paycheck Protection Program Loan payable	274,400	-
Payments on notes payable	(31,162)	(93,073)
Net cash provided by (used in) financing activities	<u>243,238</u>	<u>(93,073)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	248,639	427,440
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,133,747</u>	<u>706,307</u>
End of year	<u>\$1,382,386</u>	<u>\$1,133,747</u>
<b>Supplemental Information</b>		
Cash paid during the year for interest	<u>\$ 13,779</u>	<u>\$ 21,673</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Prepaid expenses in accrued expenses	<u>\$ 19,434</u>	<u>\$ 23,421</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

December 31, 2020 and 2019

**Note 1 - NATURE OF ACTIVITIES**

Liberty's Kitchen, Inc. (a non-profit organization) ("Liberty") was established on May 2, 2008. Liberty 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.

Liberty creates pathways for youth ages sixteen through twenty-four to create and accomplish their vision of success. Liberty began with a dream to support New Orleans youth in achieving self-sufficiency. Liberty launched its Youth Development Program (YDP) in 2009 with only two students. Since then, Liberty has served over 650 disconnected youth who have put themselves on a positive path through life skills, education, and hospitality-based workforce training.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

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

**b. Basis of Presentation**

Liberty 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 Liberty and changes therein are classified and reported as follows:

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Basis of Presentation (Continued)**

**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 Liberty and/or the passage of time, or net assets subject to donor-imposed stipulations that are maintained in perpetuity by Liberty.

**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, Liberty 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 Liberty that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2020 and 2019, Liberty's unconditional promises to give totaled \$30,000 and \$20,000, respectively.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f. Promises to Give (Continued)**

Unconditional promises are recorded net of an allowance for doubtful pledges estimated by management. As of December 31, 2020 and 2019, management believes that promises to give are fully collectible.

**g. Inventory**

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

**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. Liberty follows a policy of capitalizing all expenditures of property and equipment in excess of \$500. 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. Debt Issuance Costs**

Liberty capitalizes costs related to the loan financing and amortizes these costs over the life of the loan. There were no debt issuance costs, accumulated amortization, or amortization expense as of and for the year ending December 31, 2020. Total debt issuance costs were \$7,570 as of December 31, 2019. Accumulated amortization was \$7,570 as of December 31, 2019. Amortization expense was \$757 for the year ending December 31, 2019.

**j. Revenue Recognition**

*Revenues from Exchange Transactions:* Liberty 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. Liberty records the following exchange transaction revenue in its Statements of Activities for the years ended December 31, 2020 and 2019:

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. Revenue Recognition (Continued)**

**Restaurant Sales**

Liberty recognizes revenue on contract, restaurant, and catering food sales when sales are earned and measurable. The contracts for these sales are less than one year.

**Special Events**

Liberty 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 Liberty. The fair value of meals and entertainment provided at the event is measured at the actual cost to Liberty. 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 Liberty, 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, Liberty separately presents in Note 13 the exchange and contribution components of the gross proceeds from special events.

**k. 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.

**l. 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 Liberty's program and supporting services.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m. 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.

**n. Income Taxes**

Liberty 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, 2017 and later remain subject to examination by the taxing authorities. As of December 31, 2020, management of Liberty believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**o. Recently Issued Accounting Standards**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*", which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The new revenue standard is effective for annual reporting periods beginning after December 15, 2019. Liberty adopted the provisions of ASU No. 2014-09 and retrospectively applied this standard to the financial statements. The adoption of this accounting standard did not have a significant impact on the financial statements.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o. Recently Issued Accounting Standards (Continued)**

**Leases**

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). ASU No. 2016-02 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 Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Liberty is currently evaluating the full impact that the adoption of this standard will have on the financial statements.

**p. Reclassifications**

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

**q. Subsequent Events**

Liberty 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 23, 2021, which is the date the financial statements were available to be issued. (See Note 17.)

**Note 3 - CONCENTRATION OF CREDIT RISK**

Liberty 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, 2020. As of December 31, 2020, approximately \$1,150,000 was uninsured.

**Note 4 - GRANTS RECEIVABLE**

The balance of grants receivable, which are all deemed collectible by management, totaled \$752,296 and \$164,011 as of December 31, 2020 and 2019, respectively. Liberty 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, 2020 and 2019 are as follows:

	2020	2019
Conrad N. Hilton Foundation	\$ 350,000	\$ -
Baptist Community Ministries	235,000	-
Annie E. Casey Foundation	-	50,000
Total private foundation grants receivable	585,000	50,000
Department of Children and Family Services	112,132	114,011
United States Department of Agriculture		
National Institute of Food and Agriculture	63,686	-
Total government grants receivable	175,818	114,011
Total grants receivable before discount	760,818	164,011
Less discount	(8,522)	-
Totals	\$ 752,296	\$ 164,011
	2020	2019
Amounts due in:		
Less than one year	\$ 620,369	\$ 164,011
One to five years	140,449	-
Totals	\$ 760,818	\$ 164,011



**Note 5 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Unconditional promises to give:		
United Way	\$20,000	\$20,000
Freeport McMoran	10,000	-
	30,000	20,000
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	\$30,000	\$20,000
Amount due in:		
Less than one year	\$30,000	\$20,000
One to five years	-	-
Totals	\$30,000	\$20,000

**Note 6 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2020 and 2019 consists of the following:

	2020	2019
Leasehold improvements	\$1,707,090	\$1,707,090
Furniture and fixtures	131,159	131,159
Machinery and equipment	414,996	414,996
Capital improvements	49,732	49,732
Less accumulated depreciation	(1,446,462)	(1,202,469)
	\$ 856,515	\$1,100,508

Depreciation expense was \$243,993 and \$253,375 for the years ended December 31, 2020 and 2019, respectively.

**Note 7 - LINE OF CREDIT**

Liberty 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% (3.90% and 5.50% as of December 31, 2020 and 2019, respectively). The note requires monthly interest only payments and matures on August 11, 2021. There was no outstanding balance on the line of credit as of December 31, 2020 and 2019.

Liberty 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 bears interest at a rate equal to Wall Street Journal prime rate plus 1.50% as of December 31, 2020 (4.75% and 6.25% as of December 31, 2020 and 2019, respectively). The note requires monthly interest only payments and matures on August 10, 2021. 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, 2020 and 2019.

**Note 8 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

On April 20, 2020, Liberty received a \$274,400 loan from Iberia Bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). Interest on the loan is 1.0%. Management expects that this loan will be repaid by SBA within 12 months and that all expenditures paid from the loan proceeds will be approved as eligible for loan forgiveness under the requirements of the PPP. Any amounts not forgiven would be amortized over a period of two years.

**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, 2020 and 2019 was \$500,000.

On May 24, 2017, Liberty 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 with a balloon payment of approximately \$41,000 due on May 24, 2024. The loan is secured with property and equipment maintained at the leased building. The outstanding balances of the note as of December 31, 2020 and 2019 was \$153,616 and \$184,778, respectively.

**Note 9 - NOTES PAYABLE (Continued)**

Future maturities of the notes payable are as follows:

Year Ending December 31,	Amounts
2021	\$ 32,788
2022	34,397
2023	536,085
2024	50,346
	\$653,616

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2020 and 2019 totaled \$13,285 and \$21,057, respectively. Other interest expense totaled \$494 and \$784 for the years ended December 31, 2020 and 2019, respectively.

**Note 10 - IN-KIND DONATIONS**

Liberty records the value of in-kind donations when the services received (a) create or enhance nonfinancial assets; or (b) require specialized skills which would typically need to be purchased if not provided by donation.

The fair value of in-kind support for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Rent	\$22,786	\$100,375
Special event accommodations	-	20,000
Advertising services	-	8,000
Professional services	-	8,000
Auction items	-	7,708
Totals	\$22,786	\$144,083

**Note 11 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2020 and 2019 are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose:		
Programs:		
Youth Development Program	\$1,011,729	\$620,961
Supporting Youth and Feeding the Community	19,482	-
Healthy Corner Store Collaborative	-	14,462
Total programs	1,031,211	635,423
Subject to the passage of time:		
For periods after December 31, 2020 and 2019	184,767	30,000
Total restricted net assets	\$1,215,978	\$665,423

Net assets of \$614,951 released from restrictions for the year ended December 31, 2020 are as follows:

Purpose restriction satisfied:	
Youth Development Program	\$570,489
Healthy Corner Store Collaborative	14,462
Passage of time	30,000
	\$614,951

**Note 12 - OPERATING LEASES**

Liberty leases facility space and equipment under operating lease agreements with expiration dates of November 14, 2021 and July 15, 2024, respectively. The minimum future payments for the facility space lease, including pass-through expenses, and equipment lease required for the succeeding years are as follows:

Year Ending December 31,	Facility Base Rent and Other Charges	Equipment
2021	\$193,572	\$1,870
2022	193,572	-
2023	193,572	-
2024	104,852	-
	\$685,568	\$1,870

**Note 12 - OPERATING LEASES (Continued)**

On February 14, 2017, Liberty entered into an operating sublease agreement for café space and equipment. The sublease commenced on April 17, 2017 and expired on April 17, 2020. The sublease continued for consecutive one year terms from year to year thereafter until termination. The sublease was not renewed during the year ended December 31, 2020. The sublease required no monthly rent payments, and Liberty recognized in-kind revenue and expense for the market value of the sublease. As of the years ended December 31, 2020 and 2019, Liberty recognized \$22,786 and \$100,375, respectively, of in-kind revenue associated with the sublease.

During the years ended December 31, 2020 and 2019, Liberty incurred rent expense of \$215,193 and \$277,505, respectively.

**Note 13 - SPECIAL EVENT REVENUE**

Gross receipts from special fundraising events recorded by Liberty consist of exchange transaction revenue and contribution revenue. As a result of adopting ASU No. 2014-09 during 2020, Liberty is required to separately present the components of this revenue for the years ended December 31, 2020 and 2019.

	2020	2019
Other special events revenue	\$6,411	\$160,611
Special event revenue	10,473	31,344
Special events - gross	16,884	191,955
Less: cost of direct donor benefit	(8,557)	(91,661)
Special events - net	\$8,327	\$100,294

**Note 14 - AVAILABILITY OF FINANCIAL ASSETS**

As part of Liberty 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, Liberty has lines of credit in the amount of \$600,000.

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

**Note 14 - AVAILABILITY OF FINANCIAL ASSETS (Continued)**

Contributions without donor restrictions, café revenue, fundraising events, facility rentals, and miscellaneous 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.

The following table represents financial assets available for general expenditures within one year as of December 31, 2020 and 2019:

	2020	2019
Financial assets as of		
December 31, 2020 and 2019:		
Cash and cash equivalents	\$1,382,386	\$1,133,747
Accounts receivable	19,941	42,442
Grants receivable, net	752,296	164,011
Unconditional promises to give	30,000	20,000
Total financial assets	2,184,623	1,360,200
Less amounts unavailable for general expenditures within one year, due to contractual or donor imposed restrictions:		
Purpose or time restricted net assets	(1,215,978)	(665,423)
Financial assets available to meet cash needs for general expenditures within one year	\$ 968,645	\$ 694,777

**Note 15 - RISK MANAGEMENT**

Liberty 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, 2020 and 2019.

**Note 16 - BOARD OF DIRECTORS' COMPENSATION**

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any Board member for the years ended December 31, 2020 and 2019.

**Note 17 - SUBSEQUENT EVENTS**

On March 16, 2021, the Company received a \$258,352 loan from First Horizon Bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). Interest on the loan is 1.0%. Management expects that this loan will be repaid by SBA within 12 months and that all expenditures paid from the loan proceeds will be approved as eligible for loan forgiveness under the requirements of the PPP. Any amounts not forgiven would be amortized over a period of two years.

**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, 2020

**Agency Head Name:** Dennis Bagneris, Executive Director

**Purpose**

Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Benefits - other	0
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
	<hr/>
	\$ 0
	<hr/> <hr/>

Note:

None of the Executive Director's salary, benefits, and other compensation is 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. ("Liberty"), which comprise the statement of financial position as of December 31, 2020, 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 Liberty's basic financial statements, and have issued our report thereon dated June 23, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Liberty'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 Liberty's internal control. Accordingly, we do not express an opinion on the effectiveness of Liberty'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 Liberty'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Liberty'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 Liberty'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 23, 2021.

## SCHEDULE OF FINDINGS AND RESPONSES

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2020

### **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? \_\_\_ Yes X No

b) Federal Awards

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2020 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, 2020 related to internal control over financial reporting.

(Continued)

**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, 2020.

**Section III - Internal Control and Compliance Material to Federal Awards**

**Internal Control/Compliance**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2020 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, 2020

### **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, 2019 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, 2019 related to compliance and other matters.

### **Section II - Internal Control and Compliance Material to Federal Awards**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 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, 2019.



**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**ON CURRENT YEAR FINDINGS**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2020

**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, 2020 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, 2020 related to compliance and other matters.

**Section II - Internal Control and Compliance Material to Federal Awards**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2020 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, 2020.