

Financial Report

Liberty's Kitchen, Inc.

December 31, 2017



Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS
A LIMITED LIABILITY COMPANY

Financial Report

Liberty's Kitchen, Inc.

December 31, 2017

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Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2017 and 2016

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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, 2017, 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, 2017, 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 May 26, 2017, 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, 2016 is consistent, in all material respects, with the 2016 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 4, 2018, 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 4, 2018.

STATEMENT OF FINANCIAL POSITION**Liberty's Kitchen, Inc.**
New Orleans, LouisianaDecember 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 473,823	\$ 500,252
Accounts receivable	154,489	97,227
Unconditional promises to give	-	12,000
Grants receivable	1,063,855	61,512
Inventory	57,791	39,589
Prepays and other assets	55,813	18,301
Property and equipment, net	1,573,450	1,135,977
Loan fees, net	2,271	3,785
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,381,492</u>	<u>\$ 1,868,643</u>
Liabilities		
Accounts payable	\$ 245,177	\$ 149,604
Accrued expenses	173,093	59,851
Lines of credit	250,000	58,082
Notes payable	368,290	283,492
	<u> </u>	<u> </u>
Total liabilities	<u>1,036,560</u>	<u>551,029</u>
Net Assets		
Unrestricted	567,162	745,059
Temporarily restricted	1,777,770	572,555
	<u> </u>	<u> </u>
Total net assets	<u>2,344,932</u>	<u>1,317,614</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 3,381,492</u>	<u>\$ 1,868,643</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Liberty's Kitchen, Inc.**
New Orleans, LouisianaFor the year ended December 31, 2017
(with comparative totals for 2016)

	2017			2016 Totals
	Unrestricted	Temporarily Restricted	Totals	
Revenues and Support				
Contract sales	\$ 1,058,325	\$ -	\$ 1,058,325	\$ 1,116,524
Private grants	798,476	1,746,370	2,544,846	771,778
Restaurant sales	553,921	-	553,921	328,900
Catering sales	198,449	-	198,449	267,861
Government grants	390,227	19,400	409,627	191,551
Special events	181,306	-	181,306	141,740
Contributions	110,411	-	110,411	156,020
Capital campaign	125,601	-	125,601	93,600
Contributions in-kind	209,704	-	209,704	13,019
Other	39,955	-	39,955	403
Net assets released from restrictions	560,555	(560,555)	-	-
Total revenues and support	4,226,930	1,205,215	5,432,145	3,081,396
Expenses				
Program services	3,913,288	-	3,913,288	3,007,094
Supporting services:				
Management and general	329,006	-	329,006	253,449
Fundraising	162,533	-	162,533	105,057
Total expenses	4,404,827	-	4,404,827	3,365,600
Change in Net Assets	(177,897)	1,205,215	1,027,318	(284,204)
Net Assets				
Beginning of year	745,059	572,555	1,317,614	1,601,818
End of year	\$ 567,162	\$ 1,777,770	\$ 2,344,932	\$ 1,317,614

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Liberty's Kitchen, Inc.**
New Orleans, LouisianaFor the year ended December 31, 2017
(with comparative totals for 2016)

	2017			2016	
	Program Services	General and Administration	Fundraising	Totals	
Salaries and wages	\$ 1,516,522	\$ 176,435	\$ 79,364	\$ 1,772,321	\$ 1,364,458
Cost of sales	1,022,728	-	-	1,022,728	886,555
Occupancy	292,870	11,912	-	304,782	211,268
Food service operations	165,452	819	-	166,271	114,995
Payroll taxes	133,438	15,524	6,983	155,945	125,385
Operating costs	125,775	22,783	3,687	152,245	104,951
Training programs	150,884	-	-	150,884	139,389
Employee benefits	115,281	13,412	6,033	134,726	76,073
Development expense	131,011	-	1,164	132,175	19,103
Professional fees	96,898	21,309	297	118,504	98,881
Special event expenses	-	-	65,005	65,005	31,977
Interest expense	9,844	13,807	-	23,651	18,577
Other expenses	2,081	2,918	-	4,999	2,905
Totals	3,762,784	278,919	162,533	4,204,236	3,194,517
Depreciation	149,308	49,769	-	199,077	169,569
Amortization	1,196	318	-	1,514	1,514
Total expenses	<u>\$ 3,913,288</u>	<u>\$ 329,006</u>	<u>\$ 162,533</u>	<u>\$ 4,404,827</u>	<u>\$ 3,365,600</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,027,318	\$ (284,204)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	1,514	1,514
Depreciation expense	199,077	169,569
Decrease (increase) in assets:		
Accounts receivable	(57,262)	59,979
Unconditional promises to give	12,000	(12,000)
Grants receivable	(1,002,343)	209,982
Inventory	(18,202)	11,638
Prepaid expenses	1,324	8,383
Increase (decrease) in liabilities:		
Accounts payable	95,573	60,253
Accrued expenses	74,406	2,136
Deposits	-	(4,000)
	<u>333,405</u>	<u>223,250</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(523,130)</u>	<u>(17,393)</u>

**Exhibit D
(Continued)**

	2017	2016
Cash Flows From Financing Activities		
Proceeds from lines of credit, net of repayments	191,919	57,966
Principal payments on long-term debt	(28,623)	(28,538)
Payment of short term accounts payable used to finance property and equipment acquisitions	-	(7,700)
	163,296	21,728
Net cash provided by financing activities	163,296	21,728
Net Increase (Decrease) in Cash	(26,429)	227,585
Cash and Cash Equivalents		
Beginning of year	500,252	272,667
End of year	\$ 473,823	\$ 500,252
Supplemental Information		
Cash paid during the year for interest	\$ 23,651	\$ 18,577
Supplemental Disclosure of Noncash Investing and Financing Activities		
Prepaid expenses in accrued expenses	\$ 38,836	\$ -
Property and equipment purchases financed through notes payable	\$ 113,420	\$ -

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Liberty's Kitchen, Inc.**
New Orleans, Louisiana

December 31, 2017 and 2016

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 at-risk youth, ages sixteen through twenty, 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 to 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of Presentation

Liberty reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Liberty and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by Liberty. Generally, the donors of these assets permit organizations to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2017 and 2016, Liberty did not have any permanently restricted net assets.

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Accounts Receivable (Continued)

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. Unconditional 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. There were no unconditional promises to give as of December 31, 2017. Unconditional promises to give totaled \$12,000 as of December 31, 2016.

Unconditional promises are recorded net of an allowance for uncollectible amounts estimated by the management of Liberty. There was no allowance as of December 31, 2016.

g. Inventory

Food inventory is valued at the lower of cost or market 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Debt Issuance Costs

Liberty capitalizes costs related to the loan financing and amortizes these costs over the life of the loan. Total debt issuance costs were \$7,570 as of December 31, 2017 and 2016. Accumulated amortization was \$5,299 and \$3,785 as of December 31, 2017 and 2016, respectively. Amortization expense was \$1,514 for both of the years ended December 31, 2017 and 2016.

j. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, 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), temporarily restricted net assets are reclassified to unrestricted net assets 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.

Liberty recognizes revenue on contract, restaurant, and catering food sales when sales are earned and measurable.

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 Liberty's program and supporting services.

l. Allocated Expenses

The costs of providing the various programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and support services based on management's estimates of the costs involved.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. 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, 2014 and later remain subject to examination by the taxing authorities. As of December 31, 2017, management of Liberty believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

n. Subsequent Events

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 4, 2018, which is the date the financial statements were available to be issued.

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, 2017. As of December 31, 2017, approximately \$127,000 was uninsured.

Note 4 - GRANTS RECEIVABLE

The balance of grants receivable, which are all deemed collectible by management, totaled \$1,063,855 and \$61,512 as of December 31, 2017 and 2016, respectively. Liberty has discounted the value of future grants receivables by using an effective interest rate of 5%.

Note 4 - GRANTS RECEIVABLE (Continued)

The details of grants receivable as of December 31, 2017 and 2016 are as follows:

	2017	2016
Conrad N. Hilton Foundation	\$ 750,000	\$ -
Methodist Health System Foundation	218,043	-
Zemurray Foundation	60,000	-
National Institute of Food and Agriculture	33,890	-
Joe W. and Dorothy Dorsett Brown Foundation	20,000	-
Baptist Community Ministries	5,350	-
Department of Children and Family Services	-	61,512
	1,087,283	61,512
Less discount	(23,428)	-
Totals	\$ 1,063,855	\$ 61,512
	2017	2016
Amounts due in:		
Less than one year	\$ 595,300	\$ 61,512
One to five years	491,983	-
Totals	\$ 1,087,283	\$ 61,512

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Leasehold improvements	\$ 1,707,090	\$ 1,278,575
Furniture and fixtures	131,159	25,379
Machinery and equipment	382,951	280,696
Capital improvements	49,732	49,732
Less accumulated depreciation	(697,482)	(498,405)
	\$ 1,573,450	\$ 1,135,977

Note 5 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was \$199,077 and \$169,569 for the years ended December 31, 2017 and 2016, respectively.

Note 6 - LINE OF CREDIT

Liberty entered into an unsecured line of credit with a local financial institution on February 17, 2016 that provided borrowings up to \$150,000. The line of credit bears interest at a rate equal to 1-month LIBOR plus 3.75% (5.25% and 4.47% as of December 31, 2017 and 2016, respectively). The note requires monthly interest only payment, and the line matured on February 16, 2017. This note was renewed on a month-to-month basis beginning February 22, 2017. The line of credit is unsecured. The outstanding balances of the line as of December 31, 2017 and 2016, was \$150,000 and \$58,082, respectively.

On November 22, 2017, Liberty entered into a line of credit with a local financial institution that provided borrowings up to \$100,000. The line of credit bears interest at a rate equal to Wall Street Journal prime rate plus 2.62% (7.12% as of December 31, 2017). The note requires monthly interest only payments, and the line matures on November 21, 2018. The line of credit is secured by all furniture, fixtures, and receivables. As of December 31, 2017, the outstanding balance on the line of credit was \$100,000.

Note 7 - NOTE PAYABLE

On January 27, 2014, Liberty executed a promissory note for borrowings up to \$350,000 with Capital Impact Partners relating to the leasehold improvements at the new building location. The agreement provides for payments of principal plus interest at 6.00% of \$3,899 per month with a balloon payment of approximately \$200,000 due on August 1, 2019. The loan was secured with property and equipment maintained at the leased building. On May 24, 2017, the note was refinanced with another note payable at a local financial institution. The outstanding balance of the note as of December 31, 2016 was \$283,492.

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% of \$3,287 per month with a balloon payment of approximately \$113,175 due on May 24, 2024. The loan is secured with property and equipment maintained at the leased building. The outstanding balance of the note as of December 31, 2017 was \$297,182.

Note 7 - NOTE PAYABLE (Continued)

On March 3, 2017, Liberty executed a promissory note for \$30,000 with a local financial institution to purchase a delivery van #1. The agreement provides for payments of principal plus interest at 4.75% of \$564 per month and matures on March 3, 2022. The loan is secured with the delivery van. The outstanding balance of the note as of December 31, 2017 was \$25,952.

On April 19, 2017, Liberty executed a promissory note for \$30,000 with a local financial institution to purchase a delivery van #2. The agreement provides for payments of principal plus interest at 4.75% of \$564 per month and matures on April 19, 2022. The loan is secured with the delivery van. The outstanding balance of the note as of December 31, 2017 was \$26,406.

On February 14, 2017, Liberty executed a promissory note in the amount of \$25,000 to the sublessor for the build-out of café space associated with the sublease at its Poydras St. location. The note requires quarterly principal payments of \$2,083; no interest rate is applied, and matures on February 25, 2020. The \$25,000 represents Liberty's portion of the build-out, with the remaining build-out costs of \$80,000 being provided by the sublessor. The outstanding balance of the note as of December 31, 2017 was \$18,750.

Future maturities of the notes payable are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 45,524
2019	48,871
2020	43,057
2021	42,969
2022	35,360
Thereafter	<u>152,509</u>
	<u><u>\$ 368,290</u></u>

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2017 and 2016 totaled \$23,079 and \$14,125, respectively.

Note 8 - 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 and the corresponding assets or expenses for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Advertising services	\$ 107,400	\$ -
Rent	82,031	-
Special Event Accommodations	14,180	9,300
Food and beverages	6,093	-
Accounting services	-	3,293
Professional services	-	426
	\$ 209,704	\$ 13,019
Totals		

Note 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs or purposes of Liberty. These restrictions are considered to expire when payments for restricted purposes are made. Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following specified purposes:

	2017	2016
Capital improvements	\$ -	\$ 330,118
Programs	432,887	93,700
Time restricted	211,284	133,737
Purpose	1,133,599	15,000
	\$ 1,777,770	\$ 572,555
Totals		

Note 10 - OPERATING LEASES

Liberty leases facility space and equipment under operating lease agreements with expiration dates of November 14, 2021 and July 15, 2024, respectively. During the years ended December 31, 2017 and 2016, Liberty incurred rent expense of \$246,552 and \$166,974, respectively, under these agreements. The minimum future payments for the facility space lease and equipment lease required for the succeeding years are as follows:

<u>Year Ending December 31,</u>	<u>Facility Base Rent</u>	<u>Equipment</u>
2018	\$ 126,984	\$ 2,040
2019	131,878	2,040
2020	137,662	2,040
2021	137,662	1,870
2022	137,662	-
Thereafter	<u>212,229</u>	<u>-</u>
	<u>\$ 884,077</u>	<u>\$ 7,990</u>

On February 14, 2017, Liberty entered into an operating sublease agreement for café space and equipment. The sublease commenced on April 17, 2017 and expires on April 17, 2020. The sublease continues for consecutive 1 year terms from year to year thereafter until termination. The sublease requires no monthly rent payments, and Liberty will recognize in-kind revenue for the market value of the sublease. As of December 31, 2017, Liberty recognized \$82,031 in-kind revenue associated with the sublease.

On April 3, 2017, Liberty entered in an agreement to sublease its kitchen space and equipment at its N. Broad location with a local restaurant. The term was five months ending August 31, 2017, with the agreement continuing month to month until termination. The lease called for \$2,000 monthly payments. For the year ended December 31, 2017, rental income associated with this lease was \$18,000.

Note 11 - 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, 2017 and 2016.

Note 12 - 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, 2017 and 2016.

Note 13 - SUBSEQUENT EVENTS

On March 29, 2018, Liberty renewed the unsecured line of credit with a local financial institution that previously provided borrowing up to \$100,000. The new line of credit agreement increased the borrowings up to \$300,000. The line of credit bears interest at a rate equal to 1-month LIBOR plus 3.75%. The line of credit requires monthly interest only payments, and the line matures on March 28, 2019.

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, 2017

Agency Head Name: David Emond, 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/>

* 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, 2017, 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 4, 2018.

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") to determine the 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 4, 2018.

SCHEDULE OF FINDINGS AND RESPONSES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2017

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 consolidated financial statements noted? ___ Yes X No

b) Federal Awards

Liberty did not receive federal awards in excess of \$750,000 during the year ended December 31, 2017 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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, 2017 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, 2017.

Section III - Internal Control and Compliance Material to Federal Awards

Internal Control/Compliance

Liberty did not receive federal awards in excess of \$750,000 during the year ended December 31, 2017 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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, 2017

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

Internal Control Over Financial Reporting

No internal control over financial reporting findings, material to the financial statements, were reported during the audit for the year ended December 31, 2016.

Compliance and Other Matters

No compliance findings, material to the financial statements, were reported during the audit for the year ended December 31, 2016.

Section II - Internal Control and Compliance Material to Federal Awards

Liberty did not expend more than \$750,000 in Federal awards during the year ended December 31, 2016 and, therefore, was exempt from the audit requirements under Title 2 U.S. *Code of Federal regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2017

**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, 2017 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, 2017 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

Liberty did not receive federal awards in excess of \$750,000 during the year ended December 31, 2017 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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, 2017.