

Financial Report

Liberty's Kitchen, Inc.

December 31, 2021



Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS
A LIMITED LIABILITY COMPANY

Financial Report

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Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2021 and 2020

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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. ("Liberty") which comprise the statement of financial position as of December 31, 2021, 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 Liberty as of December 31, 2021, 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 Liberty and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 Liberty'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 Liberty'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 Liberty'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 Liberty's 2020 financial statements, and our report dated June 23, 2021, 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, 2020 is consistent, in all material respects, with the 2020 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 28, 2022 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 28, 2022.

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

New Orleans, Louisiana

December 31, 2021

(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$2,163,687	\$1,382,386
Accounts receivable	10,145	19,941
Grants receivable, net	237,858	752,296
Unconditional promises to give, net	20,000	30,000
Prepays and other assets	24,682	30,498
Property and equipment, net	<u>618,487</u>	<u>856,515</u>
Total assets	<u><u>\$3,074,859</u></u>	<u><u>\$3,071,636</u></u>
Liabilities		
Accounts payable	\$ 28,364	\$ 86,566
Accrued expenses	38,297	31,853
Paycheck Protection Program loan payable	258,352	274,400
Notes payable	<u>565,772</u>	<u>653,616</u>
Total liabilities	<u>890,785</u>	<u>1,046,435</u>
Net Assets		
Without donor restrictions	1,008,373	809,223
With donor restrictions	<u>1,175,701</u>	<u>1,215,978</u>
Total net assets	<u>2,184,074</u>	<u>2,025,201</u>
Total liabilities and net assets	<u><u>\$3,074,859</u></u>	<u><u>\$3,071,636</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021
(with comparative totals for 2020)

	2021		2020 Totals
	Without Donor Restrictions	With Donor Restrictions	
Revenues and Support			
Private grants	\$ 246,478	\$ 436,146	\$ 682,624
Restaurant sales	-	-	-
Government grants	406,856	-	406,856
Contributions	129,532	-	129,532
Catering sales	4,145	-	4,145
Contributions in-kind	15,000	-	15,000
Special events, net	54,336	-	54,336
Paycheck Protection Program loan forgiveness	274,400	-	274,400
Other	58,178	-	58,178
Net assets released from restrictions	476,423	(476,423)	-
Total revenues and support	1,665,348	(40,277)	1,625,071
Expenses			
Program services	924,852	-	924,852
Supporting services:			
General and administration	417,303	-	417,303
Fundraising	124,043	-	124,043
Total expenses	1,466,198	-	1,466,198
Change in Net Assets	199,150	(40,277)	158,873
Net Assets			
Beginning of year	809,223	1,215,978	2,025,201
End of year	\$ 1,008,373	\$1,175,701	\$2,184,074

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Liberty's Kitchen, Inc.**

New Orleans, Louisiana

For the year ended December 31, 2021

(with comparative totals for 2020)

	2021						2020 Totals	
	Youth Development Program	Refresh Café & Catering	Healthy Corner Store Collaborative	Totals	General and Administration	Fundraising		Totals
Salaries and wages	\$282,314	\$ -	\$11,137	\$293,451	\$151,017	\$ 55,733	\$ 500,201	\$1,152,445
Occupancy	155,561	-	-	155,561	74,579	41,579	271,719	260,763
Training programs	192,456	-	-	192,456	8	-	192,464	106,398
Food service operations	40,036	1,203	-	41,239	29,229	2,740	73,208	89,660
Operating costs	9,319	820	-	10,139	40,998	4,118	55,255	121,085
Professional fees	10,754	-	-	10,754	24,565	7,732	43,051	135,170
Payroll taxes	20,672	-	1,006	21,678	13,614	4,142	39,434	103,694
Employee benefits	24,778	-	-	24,778	10,608	2,714	38,100	123,935
Special event expenses	-	-	-	-	-	36,346	36,346	8,557
Development expense	7,500	-	-	7,500	7,734	5,285	20,519	7,810
Interest expense	-	-	-	-	9,185	-	9,185	13,779
Cost of sales	-	-	-	-	-	-	-	124,788
Other expenses	-	-	-	-	-	-	-	641
Totals	743,390	2,023	12,143	757,556	361,537	160,389	1,279,482	2,248,725
Depreciation	167,296	-	-	167,296	55,766	-	223,062	243,993
Total expenses	910,686	2,023	12,143	924,852	417,303	160,389	1,502,544	2,492,718
Less special events netted with revenues	-	-	-	-	-	(36,346)	(36,346)	(8,557)
Total expenses on Statement of Activities	<u>\$910,686</u>	<u>\$2,023</u>	<u>\$12,143</u>	<u>\$924,852</u>	<u>\$417,303</u>	<u>\$124,043</u>	<u>\$1,466,198</u>	<u>\$2,484,161</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 158,873	\$ 358,677
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	223,062	243,993
Gain on sale of property and equipment	(7,534)	-
Paycheck Protection Program loan forgiveness	(274,400)	-
Decrease (increase) in assets:		
Accounts receivable	9,796	22,501
Grants receivable	514,438	(588,285)
Unconditional promises to give	10,000	(10,000)
Inventory	-	22,451
Prepaid expenses	1,859	3,161
Increase (decrease) in liabilities:		
Accounts payable	(58,202)	29,805
Accrued expenses	10,401	(76,902)
Net cash provided by operating activities	<u>588,293</u>	<u>5,401</u>
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	<u>22,500</u>	<u>-</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan payable	258,352	274,400
Payments on notes payable	<u>(87,844)</u>	<u>(31,162)</u>
Net cash provided by financing activities	<u>170,508</u>	<u>243,238</u>
Net Increase in Cash and Cash Equivalents	781,301	248,639
Cash and Cash Equivalents		
Beginning of year	<u>1,382,386</u>	<u>1,133,747</u>
End of year	<u>\$ 2,163,687</u>	<u>\$ 1,382,386</u>
Supplemental Information		
Cash paid during the year for interest	<u>\$ 7,247</u>	<u>\$ 13,779</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Prepaid expenses in accrued expenses	<u>\$ 15,477</u>	<u>\$ 19,434</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

December 31, 2021 and 2020

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.

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:

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.

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, 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, 2021 and 2020, Liberty's unconditional promises to give totaled \$20,000 and \$30,000, respectively.

Unconditional promises are recorded net of an allowance for doubtful pledges estimated by management. As of December 31, 2021 and 2020, management believes that promises to give are fully collectible.

g. 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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Property and Equipment (Continued)

and betterments are capitalized. Liberty 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.

h. 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, 2021 and 2020:

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. There were no restaurant sales during the year ended December 31, 2021 as the restaurant operations have been suspended following the Coronavirus (COVID-19) Pandemic.

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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. 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.

j. 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.

k. 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.

l. 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Income Taxes (Continued)

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, 2018 and later remain subject to examination by the taxing authorities. As of December 31, 2021, management of Liberty believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

m. Recently Issued Accounting Standards

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 Statements of Activities and the Statements 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 effect that the adoption of this standard will have on the financial statements.

Leases 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) "*Discount Rate for Lessees That Are Not Public Business Entities*" (ASU-2021-09). 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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Recently Issued Accounting Standards (Continued)

Leases Discount Rate (Continued)

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. Entities that have not yet adopted Topic 842 as of November 11, 2021, are required to adopt the amendments in this update at the same time that they adopt Topic 842.

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 ASU is effective for fiscal years beginning after June 15, 2022. Liberty is evaluating the full effect that the adoption of this standard will have on its financial statements.

n. 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 28, 2022, 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, 2021. As of December 31, 2021, approximately \$1,900,000 was uninsured.

Note 4 - GRANTS RECEIVABLE

The balance of grants receivable, which are all deemed collectible by management, totaled \$237,858 and \$752,296 as of December 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

	2021	2020
Baptist Community Ministries	\$ 140,449	\$235,000
American Hotel and Lodging Association Foundation	25,000	-
Conrad N. Hilton Foundation	-	350,000
Total private foundation grants receivable	165,449	585,000
Department of Children and Family Services	72,409	112,132
United States Department of Agriculture:		
National Institute of Food and Agriculture	-	63,686
Total government grants receivable	72,409	175,818
Total grants receivable before discount	237,858	760,818
Less discount	-	(8,522)
Totals	\$ 237,858	\$752,296
	2021	2020
Amounts due in:		
Less than one year	\$237,858	\$620,369
One to five years	-	140,449
Totals	\$237,858	\$760,818

Note 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, 2021 and 2020 consist of the following:

	2021	2020
Unconditional promises to give:		
United Way	\$20,000	\$20,000
Freeport McMoran	-	10,000
	20,000	30,000
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	<u>\$20,000</u>	<u>\$30,000</u>
Amount due in:		
Less than one year	\$20,000	\$30,000
One to five years	-	-
Totals	<u>\$20,000</u>	<u>\$30,000</u>

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 consists of the following:

	2021	2020
Leasehold improvements	\$1,707,090	\$1,707,090
Furniture and fixtures	131,159	131,159
Machinery and equipment	385,346	414,996
Capital improvements	49,732	49,732
Less accumulated depreciation	(1,654,840)	(1,446,462)
	<u>\$ 618,487</u>	<u>\$ 856,515</u>

Depreciation expense was \$223,062 and \$243,993 for the years ended December 31, 2021 and 2020, 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% (3.85% and 3.90% as of December 31, 2021 and 2020, respectively). The note requires monthly interest only payments and matures on August 11, 2022. There was no outstanding balance on the line of credit as of December 31, 2021 and 2020.

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, 2021 (4.75% for both the years ended December 31, 2021 and 2020). The note requires monthly interest only payments and matures on August 10, 2022. 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, 2021 and 2020.

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). 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, Liberty 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. Interest expense on the loan totaled \$1,938 for the year ended December 31, 2021.

<u>Year Ending</u> <u>December 31,</u>	<u>Amounts</u>
2022	\$ 31,912
2023	70,806
2024	71,518
2025	72,236
2026	<u>11,880</u>
	<u>\$258,352</u>

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, 2021 and 2020 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. The loan originally called for a balloon payment of approximately \$41,000 due on May 24, 2024. Liberty made additional principal payments of \$55,000 during the year ended December 31, 2021. The loan is secured with property and equipment maintained at the leased building. The outstanding balances of the note as of December 31, 2021 and 2020 was \$65,772 and \$153,616, respectively.

Future maturities of the notes payable are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amounts</u>
2022	\$ 37,099
2023	<u>528,673</u>
	<u><u>\$565,772</u></u>

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2021 and 2020 totaled \$6,603 and \$13,285, respectively. Other interest expense totaled \$644 and \$494 for the years ended December 31, 2021 and 2020, 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.

Note 10 - IN-KIND DONATIONS (Continued)

The fair value of in-kind support for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Rent	\$15,000	\$ 22,786

Note 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose:		
Programs:		
Youth Development Program	\$1,121,219	\$ 1,011,729
Oscar J. Tolmas Charitable Trust Technology Lab	35,000	-
Supporting Youth and Feeding the Community	19,482	19,482
Total programs	1,175,701	1,031,211
Subject to the passage of time:		
For periods after December 31, 2021 and 2020	-	184,767
Total restricted net assets	\$1,175,701	\$ 1,215,978

Net assets released from restrictions for the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Purpose restriction satisfied:		
Youth Development Program	\$291,656	\$570,489
Healthy Corner Store Collaborative	-	14,462
Passage of time	184,767	30,000
	\$476,423	\$614,951

Note 12 - OPERATING LEASES

Lessee

Liberty leases facility space and equipment under operating lease agreements with expiration dates of July 15, 2024 and December 29, 2023, 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
2022	\$195,192	\$3,360
2023	195,192	3,360
2024	105,729	-
	\$496,113	\$6,720

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 was not renewed during the year ended December 31, 2020. The sublease continued on a month-to-month basis through March of 2021. 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, 2021 and 2020, Liberty recognized \$15,000 and \$22,786, respectively, of in-kind revenue associated with the sublease.

During the years ended December 31, 2021 and 2020, Liberty incurred rent expense of \$194,978 and \$215,193, respectively, which is included in occupancy expense on the Statement of Functional Expenses.

Lessor

On January 1, 2021, Liberty entered into a sublease agreement for building space. Monthly rent 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. Rental income was \$30,000 and \$1,000 for the years ended December 31, 2021 and 2020, respectively and is included in other income on the Statement of Activities.

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, 2021 and 2020.

	2021	2020
Other special events revenue	\$76,107	\$6,411
Special event revenue	14,575	10,473
Special events - gross	90,682	16,884
Less: cost of direct donor benefit	(36,346)	(8,557)
Special events - net	\$54,336	\$8,327

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.

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.

Note 14 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following table represents financial assets available for general expenditures within one year as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets as of		
December 31, 2021 and 2020:		
Cash and cash equivalents	\$2,163,687	\$1,382,386
Accounts receivable	10,145	19,941
Grants receivable, net	237,858	752,296
Unconditional promises to give, net	<u>20,000</u>	<u>30,000</u>
Total financial assets	2,431,690	2,184,623
Less amounts unavailable for general expenditures within one year, due to contractual or donor imposed restrictions:		
Purpose or time restricted net assets	<u>(1,175,701)</u>	<u>(1,215,978)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,255,989</u>	<u>\$ 968,645</u>

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, 2021 and 2020.

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, 2021

Agency Head Name: Dennis Bagneris, Executive Director

Purpose	
Salary	\$41,761
Benefits - insurance	1,355
Benefits - retirement	0
Benefits - other	2,236
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/>
	<u>\$45,352</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. ("Liberty") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 28, 2022.

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 28, 2022.

SCHEDULE OF FINDINGS AND RESPONSES

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021

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, 2021 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, 2021 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, 2021.

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, 2021 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, 2021

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 for the year ended December 31, 2020.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

Liberty's Kitchen, Inc.
New Orleans, Louisiana

For the year ended December 31, 2021

**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

Liberty 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 of the financial statements for the year ended December 31, 2021.