

CAFE HOPE, INC.

FINANCIAL STATEMENTS

December 31, 2024 and 2023



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Cafe Hope, Inc.
Gretna, Louisiana

We have reviewed the accompanying financial statements of Cafe Hope, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2024, and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Cafe Hope, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying schedule of compensation, benefits and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware

of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Metairie, Louisiana
June 30, 2025

Wegmann Dazet, APC

CAFE HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,411	\$ 162,801
Accounts receivable	416,973	496,594
Grants receivable	-	21,639
Other receivables	16,735	10,130
Inventory	41,211	19,000
Other current assets	2,000	13,033
Total current assets	<u>499,330</u>	<u>723,197</u>
Right of use assets - operating, net	116,040	154,807
Property and equipment, net	<u>2,248,486</u>	<u>1,029,355</u>
Total assets	<u><u>\$ 2,863,856</u></u>	<u><u>\$ 1,907,359</u></u>
LIABILITIES		
Current liabilities		
Line of credit	\$ 1,125,000	\$ -
Accounts payable	289,722	114,913
Accrued expenses	14,263	2,792
Deferred revenue	11,205	13,007
Accrued payroll liabilities	51,525	24,689
Current portion of operating lease obligations	40,548	38,767
Short-term debt	450,000	-
Total current liabilities	<u>1,982,263</u>	<u>194,168</u>
Operating lease obligations, less current portion	<u>75,492</u>	<u>116,040</u>
Total liabilities	<u><u>2,057,755</u></u>	<u><u>310,208</u></u>
NET ASSETS		
Net assets		
Without donor restrictions	786,101	1,577,151
With donor restrictions	20,000	20,000
Total net assets	<u>806,101</u>	<u>1,597,151</u>
Total liabilities and net assets	<u><u>\$ 2,863,856</u></u>	<u><u>\$ 1,907,359</u></u>

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Programs			
Restaurant sales	\$ 595,224	\$ -	\$ 595,224
Coffee shop sales	25,529	-	25,529
Contributions	91,675	18,584	110,259
Federal grants	72,987	-	72,987
In-kind rent	57,849	-	57,849
Special events	10,762	-	10,762
Foundation grants	17,700	100,000	117,700
Interest income	158	-	158
Other income	43,428	-	43,428
Net assets released from restrictions	118,584	(118,584)	-
	<u>1,033,896</u>	<u>-</u>	<u>1,033,896</u>
Total revenue			
	<u>1,033,896</u>	<u>-</u>	<u>1,033,896</u>
Expenses			
Program services	1,104,891	-	1,104,891
Supporting services			
General and administrative	657,880	-	657,880
Fundraising	62,175	-	62,175
	<u>1,824,946</u>	<u>-</u>	<u>1,824,946</u>
Total expenses			
	<u>1,824,946</u>	<u>-</u>	<u>1,824,946</u>
Change in net assets	(791,050)	-	(791,050)
Net assets			
Beginning of year	1,577,151	20,000	1,597,151
	<u>1,577,151</u>	<u>20,000</u>	<u>1,597,151</u>
End of year	\$ 786,101	\$ 20,000	\$ 806,101
	<u>\$ 786,101</u>	<u>\$ 20,000</u>	<u>\$ 806,101</u>

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Programs			
Restaurant sales	\$ 209,945	\$ -	\$ 209,945
Coffee shop sales	30,494	-	30,494
Contributions	473,942	45,000	518,942
Federal grants	98,608	-	98,608
In-kind rent	20,294	-	20,294
Special events	112,343	-	112,343
Foundation grants	53,000	-	53,000
Interest income	4,671	-	4,671
Insurance proceeds	3,370	-	3,370
Other income	24,952	-	24,952
Net assets released from restrictions	282,280	(282,280)	-
Total revenue	<u>1,313,899</u>	<u>(237,280)</u>	<u>1,076,619</u>
Expenses			
Program services	515,508	-	515,508
Supporting services			
General and administrative	251,094	-	251,094
Fundraising	295,538	-	295,538
Total expenses	<u>1,062,140</u>	<u>-</u>	<u>1,062,140</u>
Change in net assets	251,759	(237,280)	14,479
Net assets			
Beginning of year	<u>1,325,392</u>	<u>257,280</u>	<u>1,582,672</u>
End of year	<u><u>\$ 1,577,151</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 1,597,151</u></u>

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Program Services					Supporting Services			
	Life Skills Development Program	Restaurant and Bar	Catering	Coffee Shop	Snack Shop	Total Program Services	General and Administrative	Fundraising	Total
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,219	\$ -	\$ 1,219
Advertising	-	429	-	81	-	510	24,636	25	25,171
Bad debt	4,529	-	-	-	-	4,529	12,325	-	16,854
Bank fees	-	7,140	429	2,603	474	10,646	8,826	46	19,518
Beverage purchases	-	72,046	-	13,058	2,760	87,864	-	-	87,864
Conferences	-	-	-	74	-	74	922	-	996
Contract services	-	4,433	3,652	22	-	8,107	7,463	213	15,783
Depreciation	-	-	-	-	-	-	170,082	-	170,082
Dues and memberships	240	281	-	2	-	523	2,134	-	2,657
Equipment rental	-	5,338	5,235	-	-	10,573	-	-	10,573
Food purchases	74	151,876	11,541	34,545	1,143	199,179	3,872	1,811	204,862
Insurance	6,596	16,962	-	2,060	-	25,618	116,163	3,200	144,981
Interest	-	-	-	-	-	-	98,458	-	98,458
Janitorial expense	-	3,827	-	8,265	-	12,092	15,526	-	27,618
Licenses and permits	-	1,882	-	-	-	1,882	500	-	2,382
Miscellaneous	-	546	-	473	-	1,019	-	-	1,019
Other expense	-	1,885	-	866	-	2,751	2,719	148	5,618
Paychex fees	-	-	-	-	-	-	4,134	-	4,134
Payroll taxes and benefits	3,817	19,431	-	1,001	282	24,531	27,893	1,732	54,156
Postage and print supplies	-	464	-	-	-	464	330	-	794
Professional services	-	802	-	-	-	802	11,362	-	12,164
Rent expense	-	-	-	50,268	-	50,268	10,560	-	60,828
Repairs and maintenance	95	650	-	1,591	-	2,336	1,009	-	3,345
Salaries and wages	115,770	365,677	11,199	92,723	11,036	596,405	131,401	55,000	782,806
Student stipends	19,845	-	-	-	-	19,845	-	-	19,845
Small equipment purchases	-	17,655	501	4,870	-	23,026	4,097	-	27,123
Supplies	-	1,562	-	672	-	2,234	1,806	-	4,040
Uniforms	-	10,571	2,898	5,981	163	19,613	443	-	20,056
Total expenses	<u>\$ 150,966</u>	<u>\$ 683,457</u>	<u>\$ 35,455</u>	<u>\$ 219,155</u>	<u>\$ 15,858</u>	<u>\$ 1,104,891</u>	<u>\$ 657,880</u>	<u>\$ 62,175</u>	<u>\$ 1,824,946</u>

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services						Supporting Services		
	Life Skills Development Program	Restaurant and Bar	Catering	Coffee Shop	Snack Shop	Total Program Services	General and Administrative	Fundraising	Total
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977	\$ -	\$ 977
Advertising	-	-	-	69	-	69	678	17,123	17,870
Bank fees	-	1,498	72	3,812	2,345	7,727	313	516	8,556
Beverage purchases	-	14,634	-	21,496	9,631	45,761	-	549	46,310
Conferences	837	-	-	74	-	911	1,675	9,277	11,863
Contract services	-	720	435	243	-	1,398	280	24,971	26,649
Depreciation	-	-	-	-	-	-	31,560	-	31,560
Dues and memberships	-	86	-	457	240	783	8,405	2,995	12,183
Equipment rental	-	1,709	-	-	-	1,709	8,039	-	9,748
Food purchases	1,556	15,421	-	42,751	22,728	82,456	868	12,720	96,044
Insurance	-	-	-	3,717	-	3,717	35,313	21,076	60,106
Janitorial expense	271	1,269	-	7,948	568	10,056	11,471	89	21,616
Licenses and permits	-	-	-	-	1,398	1,398	84	-	1,482
Miscellaneous	771	-	-	756	-	1,527	-	153	1,680
Other expense	2,308	-	-	1,500	-	3,808	431	35	4,274
Paychex fees	-	-	-	-	-	-	1,557	1,061	2,618
Payroll taxes and benefits	5,499	2,532	-	12,202	4,209	24,442	11,748	2,943	39,133
Postage and print supplies	66	-	-	91	-	157	-	168	325
Professional services	-	-	-	-	-	-	2,885	5,646	8,531
Recruiting	-	217	-	-	-	217	479	-	696
Rent expense	-	-	-	45,464	-	45,464	15,120	-	60,584
Repairs and maintenance	-	76	-	979	-	1,055	834	-	1,889
Salaries and wages	31,385	52,604	-	30,991	27,672	142,652	108,911	186,604	438,167
Student stipends	14,477	-	-	-	-	14,477	-	-	14,477
Small equipment purchases	-	95,111	259	17,383	485	113,238	3,614	7,909	124,761
Supplies	484	1,174	-	1,607	104	3,369	5,232	339	8,940
Uniforms	563	3,028	-	3,978	1,548	9,117	620	1,364	11,101
Total expenses	\$ 58,217	\$ 190,079	\$ 766	\$ 195,518	\$ 70,928	\$ 515,508	\$ 251,094	\$ 295,538	\$ 1,062,140

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from by operating activities:		
Change in net assets	\$ (791,050)	\$ 14,479
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,082	31,560
Noncash operating lease expense	38,767	37,064
Increase in operating assets:		
Accounts receivable	79,621	(175,055)
Grants receivable	21,639	(7,013)
Other receivables	(6,605)	(4,770)
Inventory	(22,211)	(14,005)
Other current assets	11,033	(13,033)
Increase (decrease) in operating liabilities:		
Accrued expenses	11,471	1,899
Accounts payable	174,809	(497,442)
Accrued payroll liabilities	26,836	12,119
Deferred revenue	(1,802)	670
Operating lease obligations	(38,767)	(37,064)
Net cash used by operating activities	<u>(326,177)</u>	<u>(650,591)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(1,389,213)</u>	<u>(1,012,092)</u>
Net cash used by investing activities	<u>(1,389,213)</u>	<u>(1,012,092)</u>
Cash flows from financing activities:		
Borrowings under line of credit	1,125,000	-
Borrowings under short-term debt	450,000	-
Net cash provided by financing activities	<u>1,575,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(140,390)	(1,662,683)
Cash and cash equivalents at beginning of year	<u>162,801</u>	<u>1,825,484</u>
Cash and cash equivalents at end of year	<u>\$ 22,411</u>	<u>\$ 162,801</u>

See Independent Accountant's Review Report and accompanying Notes to Financial Statements.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1) Organization

Cafe Hope, Inc. is a nonprofit culinary arts and life skills program for opportunity youth ages 17-24 throughout the Greater New Orleans area. Cafe Hope, Inc. was established in 2010 with a goal to meet the needs of the opportunity youth population so they can further themselves along the path to self-sufficiency and have fulfilling futures as valuable and contributing members of their community.

2) Summary of significant accounting policies

(a) Basis of presentation

The financial statements of Cafe Hope, Inc. (Cafe Hope) have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board may designate, from net assets without donor restrictions, net assets for operating reserves or board-designated endowments.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(b) Cash and cash equivalents

Cafe Hope considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

(c) Promises to give

Cafe Hope records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Cafe Hope determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

(d) Property and equipment

Cafe Hope records property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2) Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Cafe Hope reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2024 and 2023.

(e) Revenue and revenue recognition

Cafe Hope recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Cafe Hope recognizes the revenue from restaurant and catering sales at point of sale and are presented net of sales tax. Deferred revenue represents Cafe Hope's liability for gift cards that have been sold but not yet redeemed and catering deposits. When gift cards are redeemed, Cafe Hope recognizes restaurant revenue sales and reduces the gift card liability. Catering deposits are recognized as restaurant revenue in the year the catering event takes place.

A portion of Cafe Hope's revenue is derived from cost-reimbursable state contracts, which are conditioned upon certain performance requirements and incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Cafe Hope has incurred expenses in compliance with specific contract provisions.

(f) Donated services and in-kind contributions

Volunteers contribute significant amounts of time to Cafe Hope's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

(g) Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2) Summary of significant accounting policies (continued)

(g) Functional allocation of expenses (continued)

<u>Expenses</u>	<u>Method of Allocation</u>
Insurance	Time and effort
Supplies	Time and effort
Payroll taxes and benefits	Time and effort
Salaries	Time and effort

(h) Income taxes

Cafe Hope is exempt from income tax under Internal Revenue Code section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Cafe Hope has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Cafe Hope has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, Cafe Hope is not subject to U. S. federal and state examinations by tax authorities beyond three years from the filing of those returns. Cafe Hope files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Cafe Hope to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

(j) Accounts and grants receivable

Accounts and grants receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts and grants receivables and charges to expense any balances that are determined to be non-collectible or establishes an allowance for credit losses. There was no allowance for credit losses at December 31, 2024 and 2023.

(k) Concentrations of credit risk

Financial instruments that potentially subject Cafe Hope to concentrations of credit risk consist principally of cash and cash equivalents. Cafe Hope maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Cafe Hope's cash and cash equivalent accounts have been placed with high credit quality financial institutions. Cafe Hope has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with accounts receivable and grants receivable are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of Cafe Hope's mission. Cafe Hope had one customer that made up approximately 99% of total accounts receivable as of December 31, 2024. Cafe Hope had three customers that made up approximately 95% of total accounts receivable as of December 31, 2023.

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2) Summary of significant accounting policies (continued)

(1) Right of use leased assets and liabilities

Right of use leased assets and the related liabilities are recognized at the lease commencement date and represent Cafe Hope's right to use and underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

Cafe Hope evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a right-of-use asset for an operating lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis. During 2024 and 2023, Cafe Hope determined that the carrying amount of right-of-use assets has not exceeded its fair value; accordingly, no impairment losses exist.

3) Liquidity and availability

The following represents Cafe Hope's financial assets at December 31, 2024:

Cash and cash equivalents	\$ 22,411
Accounts, grants and other receivables	433,708
Less: net assets with donor restrictions	<u>(20,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 436,119</u>

4) Economic dependence

In 2024, Cafe Hope received 60% of its revenue from program activities, 11% from contributions, and 11% from foundation grants. In 2023, Cafe Hope received 22% of its revenue from program activities, 48% from contributions, and 10% from fundraising activities.

5) In-kind rent

Cafe Hope receives free rent which is calculated based on 10% of restaurant revenue. In-kind rent for the years ended December 31, 2024 and 2023 was \$57,849 and \$20,294, respectively.

6) Property and equipment

Property and equipment consist of the following:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 284,123	\$ 284,124
Leasehold improvements	2,175,364	786,150
Total cost	<u>2,459,487</u>	<u>1,070,274</u>
Less: accumulated depreciation	<u>(211,001)</u>	<u>(40,919)</u>
Property and equipment, net	<u>\$ 2,248,486</u>	<u>\$ 1,029,355</u>

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2024 and 2023

7) Short-term debt

	<u>2024</u>	<u>2023</u>
A note payable to a bank with interest only payments at a base interest rate of 8.5% plus a marginal rate of 0.875%. The note payable matures in August 2025 and is secured by all assets of Cafe Hope.	\$ 450,000	\$ -
Total short-term debt	<u>\$ 450,000</u>	<u>\$ -</u>

The maturities of short-term debt are as follows:

2025	\$ 450,000
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8) Line of credit

Cafe Hope has an \$1,125,000 line of credit with a bank secured by accounts receivable for its working capital needs with a maturity date of August 12, 2025. The interest rate on the line is variable, as per the agreement (8.62% at December 31, 2024). The balance outstanding on this line of credit at December 31, 2024 and 2023 was \$1,125,000 and \$-0-, respectively.

9) Operating lease

Cafe Hope entered into a triple-net building lease agreement with Timberlane Neighborhood Improvement & Beautification District (the District). The lease has a term of ninety-nine years commencing January 1, 2020 and ending December 31, 2118, unless terminated sooner. The lease does not fall under Accounting Standards Update (ASU) ASC 842, *Leases*. As part of the lease agreement, Cafe Hope is committed to capital expenditures of not less than \$1,000,000 in the first three years of the lease and in the total sum of not less than \$2,000,000 within the first seven years of the lease. The total capital expenditures paid by Cafe Hope under the lease agreement from inception, cumulatively totaled approximately \$3,333,100 and \$1,943,900 for the years ended December 31, 2024 and 2023, respectively.

For the first ten years of this lease, beginning January 1, 2020, the lessor shall pay the lessee a portion of the building maintenance and operation expense in the amount of \$28 per month per taxable parcel within the District. There were 521 taxable parcels within the District during the year ended 2024. The lessor will receive an annual credit of 10% for all gross sales receipts, as defined in the lease agreement, of Cafe Hope exceeding \$340,000 per lease year up to \$60,000.

The Company leases property under an agreement, which is classified as an operating lease. The lease does not contain a significant residual value guarantee and does not impose significant restrictions or covenants.

At December 31, 2024, the weighted average remaining lease term for the operating lease was approximately 3 years. The weighted average discount rate for operating leases was 4.5%.

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2024 and 2023

9) Operating lease (continued)

Operating lease right-of-use asset consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ 154,807	\$ 191,871
Less: accumulated amortization	<u>(38,767)</u>	<u>(37,064)</u>
Operating lease right-of-use asset, net	<u><u>\$ 116,040</u></u>	<u><u>\$ 154,807</u></u>

The following is a summary of lease expense for the year ended December 31:

	<u>Classification</u>	<u>2024</u>
Operating lease cost	G&A expenses	\$ 45,464
Short-term lease cost	G&A expenses	<u>34,676</u>
Total lease costs		<u><u>\$ 80,140</u></u>

Maturities of lease liabilities as of December 31, 2024 are as follows:

<u>For the years ending December 31:</u>	<u>Amount</u>
2025	\$ 44,940
2026	44,940
2027	<u>33,705</u>
Total	123,585
Less: interest	<u>(7,545)</u>
Present value of lease liability	116,040
Less: current portion	<u>(40,548)</u>
Operating lease right-of-use obligation, less current portion	<u><u>\$ 75,492</u></u>

10) Net assets

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose:		
Tolmas Foundation	\$ 20,000	\$ 20,000
	<u><u>\$ 20,000</u></u>	<u><u>\$ 20,000</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2024 and 2023:

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2024 and 2023

10) Net assets (continued)

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
GNOF - Executive Coaching Program	\$ -	\$ 612
GNOF - Accelerated Program Grant	-	31,668
Conrad Hilton Grant	100,000	-
John Stumpf Jr. Donation	8,684	-
Capacity Building Campaign	9,900	-
Rosemary Foundation	-	25,000
Kitchen improvements	-	75,000
Building/restaurant improvements	-	150,000
	<u>\$ 118,584</u>	<u>\$ 282,280</u>

11) Supplemental cash flows information

	<u>2024</u>	<u>2023</u>
Cash paid for interest	<u>\$ 93,929</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 191,871</u>

12) Revenue from contracts with customers

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. The beginning and ending balances for accounts receivable and deferred revenue were as follows for the years ended December 31, 2024 and 2023:

	<u>2024</u>	
	<u>January 1</u>	<u>December 31</u>
Accounts receivable, net of allowance for credit losses	\$ 496,594	\$ 416,973
Deferred revenue	13,007	11,205
	<u>2023</u>	
	<u>January 1</u>	<u>December 31</u>
Accounts receivable, net of allowance for credit losses	\$ 321,539	\$ 496,594
Deferred revenue	12,337	13,007

See Independent Accountant's Review Report.

CAFE HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

12) Revenue from contracts with customers (continued)

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Deferred revenue, beginning of year	\$ 13,007	\$ 12,337
Increases in deferred revenue due to cash received during the period	4,606	2,005
Decreases in deferred revenue due to satisfaction of obligation	<u>(6,408)</u>	<u>(1,335)</u>
Deferred revenue, end of year	<u>\$ 11,205</u>	<u>\$ 13,007</u>

13) Subsequent events

Cafe Hope has evaluated subsequent events through the date of the independent accountant's review report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

See Independent Accountant's Review Report.

CAFE HOPE, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2024

Luis Arocha, Jr.
Executive Director

	<u>2024</u>
Salary	\$ 1,803
Payroll taxes	138
Workers compensation	27
Phone allowance	8
	<u>\$ 1,976</u>

See Independent Accountant's Review Report.

CAFE HOPE, INC.
SCHEDULE OF FINDINGS

For the Year Ended December 31, 2024

2024 Findings Related to the Financial Statements

Finding: Inadequate reconciliation of cash accounts

Condition:

During the course of our review, we noted that cash accounts were not being reconciled in a timely or accurate manner. Specifically, bank reconciliations for several months were either incomplete, contained errors, or were not prepared at all. In some cases, reconciling items were not properly documented or resolved.

Criteria:

Generally accepted accounting principles (GAAP) and sound internal controls require that all cash accounts be reconciled to bank statements on a monthly basis to ensure the accuracy and integrity of financial records.

Cause:

This issue appears to stem from a lack of oversight and formal reconciliation procedures. Additionally, there may be insufficient staffing or training in the accounting department responsible for bank reconciliations.

Effect:

Failure to properly reconcile cash accounts increases the risk of undetected errors, misstatements, and potential fraud. This can lead to inaccurate financial reporting and impaired decision-making by management.

Recommendation:

We recommend management implement and enforce a formal monthly reconciliation process for all cash accounts. All reconciliations should be reviewed and approved by an appropriate supervisory-level employee. Additionally, staff involved in the reconciliation process should receive training to ensure they understand proper procedures.

2023 Findings Related to the Financial Statements

No findings noted.



CAFE HOPE, INC.
CORRECTIVE ACTION PLAN FOR THE YEAR 2024 REVIEW
For the Year ended December 31, 2024

Name of Responsible Person: Luis Arocha
Chief Executive Director

Finding: Inadequate Reconciliation of Cash Accounts

During the year, cash accounts were not being reconciled in a timely or accurate manner. Specifically, bank reconciliations for several months were either incomplete, contained errors, or were not prepared. In some cases, reconciling items were not properly documented or resolved.

Management Response:

To address the issue of inadequate reconciliation of cash accounts, management is implementing a structured corrective action plan aimed at strengthening internal controls and ensuring timely and accurate financial reporting. A formal reconciliation policy will be established, requiring all bank and cash accounts to be reconciled on a monthly basis within 10 business days of month-end. Roles and responsibilities will be clearly defined, with reconciliations subject to independent review and approval. Additionally, a reconciliation tracking log will be introduced to monitor completion and review status. These actions will be fully implemented by July 31, 2025, with periodic oversight by leadership to ensure compliance and sustainability.

CAFE HOPE, INC.

AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2024

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Cafe Hope, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Cafe Hope, Inc. (the "Organization") and the Louisiana Legislative Auditor (LLA) (the specified parties), on the Organization's compliance with certain laws and regulations contained in the attached Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2024, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the Organization's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire for the fiscal period January 1, 2024 through December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Federal, State, and Local Awards

1. Obtain the list of federal, state, and local government grant award expenditures for the fiscal year, by grant and grant year, from the Organization's management.

Federal, State, or Local Grant Name	Grant Year	AL No. (if applicable)	Amount
United States Department of Agriculture, Food and Nutrition - Supplemental Nutrition Assistance Program (SNAP)	10/1/2023 - 9/30/2024	10.561	\$ 72,987
Timberlane Neighborhood Improvement & Beautification District (TNIBD)	1/1/2024 - 12/31/2024	N/A	175,056
			<u>\$ 248,043</u>

Result of Procedure - The Organization provided us with the above list of expenditures made for local grant awards received during the fiscal year ended December 31, 2024.

2. For each local grant award, randomly select six disbursements during the fiscal year, provided that no more than 30 disbursements are selected.

Result of Procedure - The disbursement selections were in accordance with the requirements of the Agreed Upon Procedures.

3. Obtain documentation for the disbursements selected in Procedure 2. Compare the selected disbursements to supporting documentation, and report whether the disbursements agree to the amount and payee in the supporting documentation.

Result of Procedure - Each of the selected disbursements agreed to the amount and payee in the supporting documentation.

4. Report whether the selected disbursements were coded to the correct fund and general ledger account.

Result of Procedure - All of the disbursements were coded to the correct fund and general ledger account.

5. Report whether the selected disbursements were approved in accordance with the Organization's policies and procedures.

Result of Procedure - The Organization's policies and procedures state that the Executive Director must approve all disbursements. Any expense reports for reimbursement to the Executive Director are sent to the board members for review and approval. Once the Executive Director's expense reports are approved, the checks are signed. Documentation supporting each of the selected disbursements included the signature of the Executive Director and the approval of the board, if applicable.

6. For each selected disbursement made for federal grant awards, obtain the *Compliance Supplement* for the applicable federal program. For each disbursement made for a state or local grant award, or for a federal program not included in the *Compliance Supplement*, obtain the grant agreement. Compare the documentation for each disbursement to the program compliance requirements or the requirements of the grant agreement relating to activities allowed or unallowed, eligibility, and reporting; and report whether the disbursements comply with these requirements.

Result of Procedure - All disbursements were in program compliance and/or in grant agreement compliance relating to activities allowed or unallowed, eligibility and reporting.

7. Obtain the close-out reports, if required, for any program selected in Procedure 2 that was closed out during the fiscal year. Compare the close-out reports, if applicable, with the Organization's financial records; and report whether the amounts in the close-out reports agree with the Organization's financial records.

Result of Procedure - There were no close out reports required for the TNIBD and SNAP grants.

Open Meetings

8. Obtain evidence from management that agendas for meetings recorded in the minute book were posted as required by Louisiana Revised Statute 42:11 through 42:28 (the open meetings law), and report whether there are any exceptions. Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/llala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.

Result of Procedures - Management represented that the Organization is not required to follow open meeting laws.

Budget

9. For each grant exceeding five thousand dollars, obtain the comprehensive grant budgets that the Organization provided to the applicable federal, state or local grantor agency. Report whether the budgets for federal, state and local grants included the purpose and duration of the grants; and whether budgets for state grants also included specific goals, objectives, and measures of performance.

Result of Procedure – Obtained both agreements between the Parish of Jefferson and Cafe Hope and U.S. Department of Agriculture and Cafe Hope which included the budget, goals, objectives, measures of performance, purpose and duration of the grant. The Organization submits expense reimbursements monthly to use towards the operations of the Organization as well as general and administrative expenses.

State Audit Law

10. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

Result of Procedure - The Organization's report was submitted to the Legislative Auditor before the statutory due date of June 30, 2025.

11. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Result of Procedure - The Organization's management represented that the Organization did not enter into any contracts during the fiscal year that were subject to the public bid law.

Prior-Year Comments

12. Obtain and report management's representation as to whether any prior year suggestions, exceptions, recommendations, and/or comments have been resolved.

Result of Procedure - Not applicable.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Organization's compliance with the foregoing matters. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed of the Organization's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2024, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Metairie, Louisiana
June 30, 2025

Wegmann Dazet, APC