



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

KITCHENS FOR GOOD, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Kitchens For Good, Inc.

We have audited the accompanying financial statements of Kitchens For Good, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Kitchens For Good, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Kitchens For Good, Inc., 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 Kitchens For Good, Inc.'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 Kitchens For Good, Inc.'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 Kitchens For Good, Inc.'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2022, on our consideration of Kitchens For Good, Inc.'s internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Kitchens For Good, Inc.'s 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 Kitchens For Good, Inc.'s internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
December 21, 2022

KITCHENS FOR GOOD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2, 4 and 7)		
Cash and cash equivalents	\$ 930,607	\$ 1,544,822
Accounts receivable	413,003	196,994
Contributions receivable	130,484	221,500
Inventory	64,357	15,463
Prepaid expenses	41,525	-
Total Current Assets	<u>1,579,976</u>	<u>1,978,779</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6 and 7)		
Contributions receivable, net	-	119,712
Property and equipment, net	784,258	891,192
Intangible assets, net	67,094	-
Deposit	15,741	-
Total Noncurrent Assets	<u>867,093</u>	<u>1,010,904</u>
TOTAL ASSETS	<u>\$ 2,447,069</u>	<u>\$ 2,989,683</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 8)		
Accounts payable and accrued expenses	\$ 209,132	\$ 205,278
Deferred rent	91,571	49,400
Current portion of notes payable, net	74,750	9,315
Total Current Liabilities	<u>375,453</u>	<u>263,993</u>
<u>Noncurrent Liabilities:</u> (Note 8)		
Notes payable, net	-	74,150
Total Noncurrent Liabilities	<u>-</u>	<u>74,150</u>
Total Liabilities	<u>375,453</u>	<u>338,143</u>
<u>Commitments and Contingencies:</u> (Notes 7 and 10)		
<u>Net Assets:</u> (Notes 2 and 9)		
Without Donor Restrictions	1,688,290	2,237,223
With Donor Restrictions:		
Purpose restrictions	261,842	78,105
Time restrictions	121,484	336,212
Total Net Assets With Donor Restrictions	<u>383,326</u>	<u>414,317</u>
Total Net Assets	<u>2,071,616</u>	<u>2,651,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,447,069</u>	<u>\$ 2,989,683</u>

The accompanying notes are an integral part of the financial statements.

KITCHENS FOR GOOD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contributions	\$ 2,287,223	\$ 238,486	\$ 2,525,709	\$ 3,198,576	\$ 172,619	\$ 3,371,195
In-kind contributions	198,996	-	198,996	206,806	-	206,806
Resale revenue	152,346	-	152,346	24,575	-	24,575
Meal contracts	122,333	-	122,333	261,112	-	261,112
Food revenue	111,398	-	111,398	2,629	-	2,629
Staffing revenue	47,801	-	47,801	-	-	-
Interest income	16,055	-	16,055	11,029	-	11,029
Net assets released from restrictions	269,477	(269,477)	-	353,762	(353,762)	-
Total Revenue and Support	<u>3,205,629</u>	<u>(30,991)</u>	<u>3,174,638</u>	<u>4,058,489</u>	<u>(181,143)</u>	<u>3,877,346</u>
Expenses:						
Program Services:						
Project Launch	1,137,821	-	1,137,821	830,762	-	830,762
Project Nourish	650,154	-	650,154	981,485	-	981,485
The SHOP	607,068	-	607,068	-	-	-
Project Kitchen	123,513	-	123,513	152,568	-	152,568
WORKS	97,431	-	97,431	-	-	-
Total Program Services	<u>2,615,987</u>	<u>-</u>	<u>2,615,987</u>	<u>1,964,815</u>	<u>-</u>	<u>1,964,815</u>
Supporting Services:						
Management and general	710,723	-	710,723	630,039	-	630,039
Fundraising	427,852	-	427,852	362,910	-	362,910
Total Supporting Services	<u>1,138,575</u>	<u>-</u>	<u>1,138,575</u>	<u>992,949</u>	<u>-</u>	<u>992,949</u>
Total Expenses	<u>3,754,562</u>	<u>-</u>	<u>3,754,562</u>	<u>2,957,764</u>	<u>-</u>	<u>2,957,764</u>
Change in Net Assets	(548,933)	(30,991)	(579,924)	1,100,725	(181,143)	919,582
Net Assets at Beginning of Year	<u>2,237,223</u>	<u>414,317</u>	<u>2,651,540</u>	<u>1,136,498</u>	<u>595,460</u>	<u>1,731,958</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,688,290</u>	<u>\$ 383,326</u>	<u>\$ 2,071,616</u>	<u>\$ 2,237,223</u>	<u>\$ 414,317</u>	<u>\$ 2,651,540</u>

The accompanying notes are an integral part of the financial statements.

KITCHENS FOR GOOD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services				Total Expenses
	Project Launch	Project Nourish	The SHOP	Project Kitchen	WORKS	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses:										
Personnel	\$ 608,470	\$ 327,066	\$ 153,642	\$ 46,741	\$ 49,894	\$ 1,185,813	\$ 418,307	\$ 325,825	\$ 744,132	\$ 1,929,945
Employee personnel costs	97,160	64,971	28,763	8,919	4,404	204,217	108,736	61,661	170,397	374,614
Total Salaries and Related Expenses	<u>705,630</u>	<u>392,037</u>	<u>182,405</u>	<u>55,660</u>	<u>54,298</u>	<u>1,390,030</u>	<u>527,043</u>	<u>387,486</u>	<u>914,529</u>	<u>2,304,559</u>
Nonsalary Related Expenses:										
Apprentice stipends	56,500	-	-	-	-	56,500	-	-	-	56,500
Apprentice support	37,107	-	-	-	61	37,168	162	-	162	37,330
Bank service charges	-	607	4,452	-	-	5,059	11,300	-	11,300	16,359
Computer and internet	11,563	4,230	29,155	(412)	18	44,554	14,149	2,429	16,578	61,132
Depreciation and amortization	86,375	40,548	2,045	-	96	129,064	7,130	57	7,187	136,251
Dues and subscriptions	2,041	-	309	-	700	3,050	6,469	2,802	9,271	12,321
Food and beverage	71,098	133,203	1,611	43,838	-	249,750	996	3,968	4,964	254,714
Insurance	-	-	568	-	-	568	29,123	-	29,123	29,691
Interest expense	-	-	-	-	-	-	3,671	-	3,671	3,671
Kitchen supplies	45,384	23,199	4,107	8,875	-	81,565	1,540	205	1,745	83,310
Marketing	12,007	77	22,856	691	1,018	36,649	26,142	20,805	46,947	83,596
Meals and transportation	8,180	4,868	3,066	1,746	310	18,170	3,757	429	4,186	22,356
Occupancy expenses	62,694	17,738	128,003	11,810	-	220,245	3,863	-	3,863	224,108
Office supplies	858	1,073	42,562	-	-	44,493	13,640	255	13,895	58,388
Packaging and delivery	59	26,504	2,384	255	-	29,202	-	93	93	29,295
Professional fees	16,739	-	-	-	1,630	18,369	44,740	1,550	46,290	64,659
Repairs and maintenance	10,351	5,021	22,136	-	-	37,508	2,100	-	2,100	39,608
Resale goods	-	-	152,346	-	-	152,346	-	-	-	152,346
Software	11,235	1,049	9,063	1,050	2,594	24,991	14,898	7,773	22,671	47,662
Staffing personnel costs	-	-	-	-	3,924	3,924	-	-	-	3,924
Staffing wages	-	-	-	-	32,782	32,782	-	-	-	32,782
Total Nonsalary Related Expenses	<u>432,191</u>	<u>258,117</u>	<u>424,663</u>	<u>67,853</u>	<u>43,133</u>	<u>1,225,957</u>	<u>183,680</u>	<u>40,366</u>	<u>224,046</u>	<u>1,450,003</u>
Total Expenses	<u>\$ 1,137,821</u>	<u>\$ 650,154</u>	<u>\$ 607,068</u>	<u>\$ 123,513</u>	<u>\$ 97,431</u>	<u>\$ 2,615,987</u>	<u>\$ 710,723</u>	<u>\$ 427,852</u>	<u>\$ 1,138,575</u>	<u>\$ 3,754,562</u>

The accompanying notes are an integral part of the financial statements.

KITCHENS FOR GOOD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services			Total Expenses
	Project Nourish	Project Launch	Project Kitchen	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses:								
Personnel	\$ 363,612	\$ 461,125	\$ 52,829	\$ 877,566	\$ 314,704	\$ 275,382	\$ 590,086	\$ 1,467,652
Employee personnel costs	79,708	89,664	10,756	180,128	58,786	52,997	111,783	291,911
Total Salaries and Related Expenses	<u>443,320</u>	<u>550,789</u>	<u>63,585</u>	<u>1,057,694</u>	<u>373,490</u>	<u>328,379</u>	<u>701,869</u>	<u>1,759,563</u>
Nonsalary Related Expenses:								
Apprentice support supplies	-	25,596	-	25,596	-	-	-	25,596
Bad debt	-	-	-	-	4,701	-	4,701	4,701
Bank services charges	131	-	678	809	16,824	117	16,941	17,750
Charitable contributions	931	10,500	-	11,431	-	4,960	4,960	16,391
Computer and internet	7,723	17,635	511	25,869	9,255	9,424	18,679	44,548
Depreciation	42,238	43,452	12,458	98,148	-	-	-	98,148
Dues and subscriptions	306	3,854	-	4,160	1,754	1,819	3,573	7,733
Food and beverage	305,760	27,427	51,163	384,350	1,282	2,606	3,888	388,238
Insurance	-	-	-	-	35,050	-	35,050	35,050
Interest expense	-	-	-	-	5,765	-	5,765	5,765
Kitchen supplies	43,762	44,517	10,461	98,740	3,606	1,276	4,882	103,622
Marketing	193	1,465	1,078	2,736	15,009	6,840	21,849	24,585
Meals and transportation	2,605	2,337	1,334	6,276	573	150	723	6,999
Occupancy	53,404	54,781	5,664	113,849	40,797	264	41,061	154,910
Office supplies	395	3,470	841	4,706	15,460	1,553	17,013	21,719
Packaging and delivery	63,812	238	2,795	66,845	651	1,149	1,800	68,645
Professional fees	-	37,180	2,000	39,180	77,937	977	78,914	118,094
Repairs and maintenance	10,970	2,859	-	13,829	19,039	-	19,039	32,868
Software	5,935	4,662	-	10,597	8,846	3,396	12,242	22,839
Total Nonsalary Related Expenses	<u>538,165</u>	<u>279,973</u>	<u>88,983</u>	<u>907,121</u>	<u>256,549</u>	<u>34,531</u>	<u>291,080</u>	<u>1,198,201</u>
Total Expenses	<u>\$ 981,485</u>	<u>\$ 830,762</u>	<u>\$ 152,568</u>	<u>\$ 1,964,815</u>	<u>\$ 630,039</u>	<u>\$ 362,910</u>	<u>\$ 992,949</u>	<u>\$ 2,957,764</u>

The accompanying notes are an integral part of the financial statements.

KITCHENS FOR GOOD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (579,924)	\$ 919,582
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	127,895	98,148
Amortization	8,356	-
Amortization of debt issuance costs	600	600
Deferred rent	42,171	(3,767)
Deposit	-	13,196
(Increase) Decrease in:		
Accounts receivable	(216,009)	(51,075)
Contributions receivable, net	210,728	47,259
Inventory	(48,894)	15,889
Prepaid expenses	(41,525)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	3,854	30,150
Accrued rent	-	(55,162)
Customer deposits	-	(57,340)
Deferred revenue	-	(130,421)
Net Cash (Used in) Provided by Operating Activities	<u>(492,748)</u>	<u>827,059</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	(20,961)	(810,404)
Purchase of intangible assets	(75,450)	-
Payment for deposit	(15,741)	-
Net Cash Used in Investing Activities	<u>(112,152)</u>	<u>(810,404)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on notes payable	(9,315)	(17,251)
Net Cash Used in Financing Activities	<u>(9,315)</u>	<u>(17,251)</u>
Net Decrease in Cash and Cash Equivalents	(614,215)	(596)
Cash and Cash Equivalents at Beginning of Year	<u>1,544,822</u>	<u>1,545,418</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 930,607</u></u>	<u><u>\$ 1,544,822</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u><u>\$ 3,066</u></u>	<u><u>\$ 5,165</u></u>

The accompanying notes are an integral part of the financial statements.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization:

Kitchens For Good, Inc. (the “Organization”) is a California Non-Profit Organization incorporated in 2014. Located in San Diego, California, the Organization’s mission is to use food to transform lives and nourish communities by providing people with the skills and support to launch meaningful careers.

The following is a brief description of the Organization’s programs:

Project Launch: Our tuition-free, CA state certified, 20-month Apprenticeship Programs help individuals facing barriers to employment gain the skills needed to create sustainable careers. The Organization offers support services to the apprentices for the duration of their journey. We currently have three Apprenticeship tracks: Culinary, Hospitality, and Baking.

Project Nourish: The Organization rescues surplus and cosmetically imperfect food from wholesalers and farmers, and transforms these ingredients into nutritious meals. These healthy meals are distributed to high-need communities including at-risk youth, low-income seniors, and various unsheltered and low-income individuals through partnerships with local nonprofit agencies.

Project Kitchen: This program contains the Organization’s revenue-generating food enterprises, which each provide paid on-the-job training hours to the apprentices. Previously, this program included the Organization’s robust catering enterprise, which was closed down in March of 2020. It also included the contract at the Moonlight Amphitheater in Vista, which ended in December 2020. Both of these enterprise closures were due to the COVID-19 pandemic. This program currently includes the concession contract at the Rady Shell concert venue in San Diego. This contract is managed and operated by one of our culinary apprentices, and provides paid on-the-job training to our Hospitality Apprentices.

The SHOP: This is a retail store opened in January 2022 that resells donated gently-used (and new or never-used) kitchenware, cookware, dinnerware, select home décor, and specialty items made by social enterprises.

WORKS: This program launched in April 2022, and is a staffing social enterprise that builds a bridge between individuals facing barriers to employment and San Diego’s robust hospitality industry by placing the Organization’s apprentices into jobs. It provides human resources and support services to our apprentices, and mitigates the challenges of onboarding for our employer partners.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation (Continued)

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) 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.

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 the reported amounts of assets and liabilities, and disclosures of contingent 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.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments at June 30, 2022 and 2021.

Inventory

Inventory consists of raw food, cooking ingredients, and donated kitchenware, cookware, dinnerware, décor, and other specialty items. Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method, net realizable value or the current average price and publicly available website for similar items, and totaled \$64,357 and \$15,463 at June 30, 2022 and 2021, respectively.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts and contributions receivable were fully collectible; therefore, no allowance for doubtful accounts and contributions receivable was recorded at June 30, 2022 and 2021.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$2,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Furniture and equipment	5 - 10 years
Vehicles	5 years
Leasehold improvements	5 - 9 years

Depreciation totaled \$127,895 and \$98,148 for the years ended June 30, 2022 and 2021, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Intangible Assets

Intangible assets consist of costs related to the purchase and implementation of software, and is amortized on the straight-line method over the estimated useful life of three years. Amortization totaled \$8,356 and \$-0- for the years ended June 30, 2022 and 2021, respectively.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Organization. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized debt issuance costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense, and totaled \$600 for each of the years ended June 30, 2022 and 2021, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$29,175 and \$23,889 at June 30, 2022 and 2021, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Deferred Rent

Rent expense is recognized on a straight-line basis over the term of the operating lease. The deferred rent represents discounted rent in excess of the rent expense recognized. The deferred rent totaled \$91,571 and \$49,400 at June 30, 2022 and 2021, respectively.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Grant revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant. Accounts receivable are recorded when revenue earned under a grant exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned.

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Meal contracts, food revenue and staffing revenue is recorded as revenue in the period that the services are provided.

Sales revenue is recognized when the sale occurs.

Donated Services and Materials

The Organization received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Resale items	\$ 198,996	\$ -
Leasehold improvements	-	100,363
Food donations	-	106,443
Total In-kind Contributions	<u>\$ 198,996</u>	<u>\$ 206,806</u>

Contributed resale items received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to inventory. It is the Organization's policy to sell these donated items at its Thrift Shop with gross proceeds used to support ongoing program activities. The Organization values the inventory using the current average price located on a publicly available website for similar items if a group of items are donated.

Leasehold improvements were received by the Organization for the construction of their facility and valued at the cost charged by the construction contractor. Food donations are utilized in the Organization's programs. Food donations are valued at the average price per pound of food on a publicly available website.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2022 and 2021, did not meet the requirements above, therefore, no amounts were recognized in the financial statements for volunteer time.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or supporting service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by Kitchens for Good's management.

Income Taxes

The Organization is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended June 30, 2022, 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

Accounting Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not - for - profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 21, 2022, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 7 and 11.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Reclassification

The Organization has reclassified certain prior-year information to conform with the current-year presentation.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization considers contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure—that is, without donor or other restrictions limiting their use—within one year, are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets as year-end:		
Cash and cash equivalents	\$ 930,607	\$ 1,544,822
Accounts receivable	413,003	196,994
Contributions receivable	<u>130,484</u>	<u>221,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,474,094</u>	<u>\$ 1,963,316</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization has a line-of-credit agreement with available borrowings totaling \$500,000 as described in Note 7. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Current:		
Due in less than one year	\$ <u>130,484</u>	\$ <u>221,500</u>
Total Current, Net	<u>130,484</u>	<u>221,500</u>
Noncurrent:		
Due in one-to-five years	-	125,000
Less: Discounts to present value	-	<u>(5,288)</u>
Total Noncurrent, Net	<u>-</u>	<u>119,712</u>
Total Contributions Receivable, Net	<u>\$ 130,484</u>	<u>\$ 341,212</u>

The contributions receivable have been discounted to their present value using a discount rate ranging from 0.25% - 1.74% at June 30, 2022 and 2021.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 94,523	\$ 94,523
Vehicles	88,570	88,570
Leasehold improvements	868,344	847,383
Subtotal	<u>1,051,437</u>	<u>1,030,476</u>
Less: Accumulated depreciation	<u>(267,179)</u>	<u>(139,284)</u>
Property and Equipment, Net	<u>\$ 784,258</u>	<u>\$ 891,192</u>

Note 6 - Intangible Assets:

Intangible assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Software	\$ 75,450	\$ -
Less: Accumulated amortization	<u>(8,356)</u>	<u>-</u>
Intangible Assets, Net	<u>\$ 67,094</u>	<u>\$ -</u>

Note 7 - Line-of-Credit:

The Organization has a line-of-credit with a lender in the amount of \$500,000, with interest at the lender's prime rate plus 0.25%. The line-of-credit matures in February 2023, and is secured by substantially all of the Organization's assets. There was no outstanding balance on the line-of-credit at June 30, 2022 and 2021. Subsequent to year-end, the line-of-credit was extended to February 22, 2023.

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Note payable to The Parker Foundation in the original amount of \$35,000. Payable in monthly payments of \$1,500, including interest at 4.00%, due February 15, 2022. Unsecured. Note was paid in full during the year ended June 30, 2022.	\$ -	\$ 9,315
Note payable to REDF Impact Investing Fund ("RIIF") in the original amount of \$75,000. Monthly interest payments of \$750, 4.00% through December 2019, then monthly interest payments of \$984, 5.25%, due December 20, 2022. Unsecured.	<u>75,000</u>	<u>75,000</u>
Total Notes Payable	<u>75,000</u>	<u>84,315</u>
Less: Unamortized debt issuance costs	<u>(250)</u>	<u>(850)</u>
Notes Payable, Net	<u>\$ 74,750</u>	<u>\$ 83,465</u>

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Debt issuance costs total \$3,000, less accumulated amortization of \$2,750 and \$2,150 at June 30, 2022 and 2021, respectively.

Future principal payments on the notes payable are as follows:

Year Ended June 30	
2023	\$ 75,000
Total	<u>\$ 75,000</u>

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	2022	2021
Subject to Expenditure for Specified Purpose:		
WORKS	\$ 175,982	\$ -
Project Launch	67,174	31,830
Special event sponsorship	16,186	23,775
Equipment	2,500	2,500
Project Nourish	-	20,000
Total Subject to Expenditure For Specified Purpose	261,842	78,105
Subject to the Passage of Time:		
Contributions receivable, net	121,484	336,212
Total Net Assets with Donor Restrictions	\$ 383,326	\$ 414,317

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	2022	2021
Purpose Restrictions Accomplished:		
Project Launch	\$ 27,160	\$ 10,700
Project Nourish	20,000	96,815
Special event sponsorship	7,589	1,000
Capital expenditures for new location	-	83,000
Staff development	-	3,947
Time Restrictions Fulfilled	214,728	158,300
Total Net Assets Released From Restrictions	\$ 269,477	\$ 353,762

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 10 - Commitments and Contingencies:

Employee Benefit Plan

The Organization has a 403(b) Plan (the “Plan”) covering full-time employees. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. The Organization may make a discretionary matching contribution equal to a uniform percentage or dollar amount of the employee deferrals. Discretionary matching contributions to the Plan totaled \$8,463 and \$-0- for the years ended June 30, 2022 and 2021, respectively.

Catering and Concessionaire Services

The Organization entered into a Catering and Concessionaire Services Agreement (“Agreement”) with the City of Vista (“City”) for the period April 9, 2019 through February 29, 2024. During the six-month period from March 2019 through August 2019, the Organization pays the City license fees of sixteen percent (16%) of monthly gross income generated from its concessionaire services at the Moonlight Amphitheatre located at 1250 Vale Terrace Drive in Vista, California. Commencing in September 2019 and continuing throughout the initial term, Kitchens for Good shall pay the City license fees of eighteen percent (18%) of monthly gross income. The agreement may be extended with the mutual agreement of the parties for an additional five years. License fees under this Agreement totaled \$-0- and \$467 for the years ended June 30, 2022 and 2021, respectively. In December 2020, the Organization terminated this agreement as a result of the restrictions implemented during the COVID-19 pandemic.

The Organization entered into a Subcontract Agreement (“Agreement”) with Service America Corporation dba Centerplate (“Centerplate”) for the period May 7, 2021 through May 6, 2022, and subsequently renewed to May 1, 2023. The Organization pays to Centerplate a commission of 10% of monthly gross receipts on income generated from its concessionaire services at the Shell Amphitheatre located at 1245 Seventh Avenue, San Diego, California. License fees under this Agreement totaled \$11,040 and \$-0- for the years ended June 30, 2022 and 2021, respectively.

Operating Leases

On December 31, 2019, the Organization entered into a five-year lease agreement with the Salvation Army for kitchen and classroom space under a five-year non-cancellable operating lease. Rent payments were abated through September 1, 2020. Monthly rent payments of \$6,500 began on September 1, 2020. In October 2020, the Organization signed a Second Amendment to their lease agreement with the Salvation Army to use the El Cajon Corps kitchen for the term of November 16, 2020 to January 31, 2021, for \$500 per month. In July 2021, the Organization signed a Third Amendment to their lease agreement with the Salvation Army for additional office space on a month to month basis for \$600 per month. Rent expense totaled \$62,400 and \$72,900 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense.

On November 1, 2021, the Organization entered into a five-year, four-month lease agreement with Frazee Pacific Beach Properties, Ltd. for retail space located at 980 Hornblend Street in San Diego. Rent payments were abated through March 1, 2022. Monthly rent payments of \$14,575 began on March 1, 2022. Rent expense totaled \$116,071 and \$-0- for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 10 - Commitments and Contingencies: (Continued)

Operating Leases (Continued)

Future minimum annual payments under the facility lease is as follows:

<u>Years Ended</u> <u>June 30</u>	
2023	\$ 254,649
2024	259,948
2025	200,407
2026	193,029
2027	<u>131,234</u>
Total	<u>\$ 1,039,267</u>

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity, and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 11 - Subsequent Event:

On December 1, 2022, the Organization entered into two three-year half-month lease agreements with Old Town Retail, LLC for retail/restaurant and office space located at 2474 San Diego Avenue, Suite C and 200 in San Diego. Monthly rent began on December 15, 2022. Payments are \$1,817 and \$1,650 per month, increasing by three percent per year, and the space will be used for the baking apprenticeship program.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**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
Kitchens For Good, Inc.

We have audited, in accordance with the 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 Kitchens For Good, Inc., (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 21, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 material weaknesses 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 or significant deficiencies may exist that were not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kitchens For Good, Inc.'s financial statements are free from 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 financial statements. 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 Kitchens For Good, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kitchens For Good, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
December 21, 2022