



**KITCHENS
FOR GOOD**

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



Leaf & Cole, LLP
Certified Public Accountants

KITCHENS FOR GOOD, INC.
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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, 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.

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, 2024 and 2023, 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 November 18, 2024, 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
November 18, 2024

KITCHENS FOR GOOD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<u>Current Assets:</u> (Notes 2, 4 and 7)		
Cash and cash equivalents	\$ 625,338	\$ 878,187
Accounts receivable	628,422	779,253
Contributions receivable	824,443	-
Inventory	59,068	61,090
Prepaid expenses	56,286	44,895
Total Current Assets	<u>2,193,557</u>	<u>1,763,425</u>
<u>Noncurrent Assets:</u> (Notes 2, 5, 6, 7 and 9)		
Right-of-use asset - operating lease	1,863,697	2,114,363
Property and equipment, net	574,653	697,663
Intangible assets, net	40,743	81,667
Deposit	15,741	15,741
Total Noncurrent Assets	<u>2,494,834</u>	<u>2,909,434</u>
TOTAL ASSETS	<u>\$ 4,688,391</u>	<u>\$ 4,672,859</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 7 and 9)		
Accounts payable and accrued expenses	\$ 210,337	\$ 213,698
Deferred revenue	-	107,262
Operating lease liability	254,103	239,912
Current portion of note payable, net	492,036	332,546
Total Current Liabilities	<u>956,476</u>	<u>893,418</u>
<u>Noncurrent Liabilities:</u> (Notes 2 and 9)		
Operating lease liability, net of current portion	1,730,966	1,985,069
Total Noncurrent Liabilities	<u>1,730,966</u>	<u>1,985,069</u>
Total Liabilities	<u>2,687,442</u>	<u>2,878,487</u>
<u>Commitments:</u> (Note 9)		
<u>Net Assets:</u> (Notes 2 and 8)		
Without Donor Restrictions	1,251,102	1,573,045
With Donor Restrictions:		
Purpose restrictions	122,947	221,327
Time restrictions	626,900	-
Total Net Assets With Donor Restrictions	<u>749,847</u>	<u>221,327</u>
Total Net Assets	<u>2,000,949</u>	<u>1,794,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,688,391</u>	<u>\$ 4,672,859</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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contributions	\$ 3,105,053	\$ 666,000	\$ 3,771,053	\$ 2,642,167	\$ 221,327	\$ 2,863,494
Staffing revenue	704,464	-	704,464	618,326	-	618,326
Resale revenue	498,412	-	498,412	369,691	-	369,691
In-kind contributions	491,247	-	491,247	391,411	-	391,411
Food revenue	168,315	-	168,315	143,142	-	143,142
Other revenue	12,045	-	12,045	380,248	-	380,248
Interest income	11,483	-	11,483	-	-	-
Net assets released from restrictions	137,480	(137,480)	-	383,326	(383,326)	-
Total Revenue and Support	<u>5,128,499</u>	<u>528,520</u>	<u>5,657,019</u>	<u>4,928,311</u>	<u>(161,999)</u>	<u>4,766,312</u>
Expenses:						
Program Services:						
Project Launch	2,045,620	-	2,045,620	1,820,592	-	1,820,592
The SHOP	1,076,341	-	1,076,341	920,285	-	920,285
WORKS	824,665	-	824,665	751,235	-	751,235
Project Kitchen	152,926	-	152,926	133,069	-	133,069
Total Program Services	<u>4,099,552</u>	<u>-</u>	<u>4,099,552</u>	<u>3,625,181</u>	<u>-</u>	<u>3,625,181</u>
Supporting Services:						
Management and general	875,341	-	875,341	866,901	-	866,901
Fundraising	475,549	-	475,549	551,474	-	551,474
Total Supporting Services	<u>1,350,890</u>	<u>-</u>	<u>1,350,890</u>	<u>1,418,375</u>	<u>-</u>	<u>1,418,375</u>
Total Expenses	<u>5,450,442</u>	<u>-</u>	<u>5,450,442</u>	<u>5,043,556</u>	<u>-</u>	<u>5,043,556</u>
Change in Net Assets	(321,943)	528,520	206,577	(115,245)	(161,999)	(277,244)
Net Assets at Beginning of Year	<u>1,573,045</u>	<u>221,327</u>	<u>1,794,372</u>	<u>1,688,290</u>	<u>383,326</u>	<u>2,071,616</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,251,102</u>	<u>\$ 749,847</u>	<u>\$ 2,000,949</u>	<u>\$ 1,573,045</u>	<u>\$ 221,327</u>	<u>\$ 1,794,372</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, 2024

	Program Services				Supporting Services				Total Expenses
	Project Launch	The SHOP	WORKS	Project Kitchen	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses:									
Personnel	\$ 946,653	\$ 209,381	\$ 165,153	\$ 65,267	\$ 1,386,454	\$ 484,058	\$ 355,145	\$ 839,203	\$ 2,225,657
Staffing agency wages	3,189	8,228	480,426	6,697	498,540	-	1,076	1,076	499,616
Employee personnel costs	157,043	42,992	43,551	10,250	253,836	106,774	68,864	175,638	429,474
Staffing agency personnel costs	360	1,251	81,200	1,128	83,939	-	171	171	84,110
Total Salaries and Related Expenses	<u>1,107,245</u>	<u>261,852</u>	<u>770,330</u>	<u>83,342</u>	<u>2,222,769</u>	<u>590,832</u>	<u>425,256</u>	<u>1,016,088</u>	<u>3,238,857</u>
Nonsalary Related Expenses:									
Apprentice stipends	204,670	-	-	-	204,670	-	-	-	204,670
Apprentice support	106,984	702	19,630	-	127,316	330	-	330	127,646
Bank service charges	-	15,383	1,148	-	16,531	4,620	-	4,620	21,151
Computer and internet	4,147	3,656	936	187	8,926	10,653	562	11,215	20,141
Depreciation and amortization	135,343	6,492	6,528	-	148,363	12,577	2,993	15,570	163,933
Dues and subscriptions	4,697	1,616	1,300	-	7,613	3,873	1,516	5,389	13,002
Food and beverage	136,894	11,929	79	42,666	191,568	2,450	1,442	3,892	195,460
Insurance	-	-	-	-	-	33,655	-	33,655	33,655
Interest expense	-	-	-	-	-	31,146	-	31,146	31,146
Kitchen supplies	102,927	8,290	-	5,064	116,281	883	459	1,342	117,623
Marketing	2,539	3,306	522	307	6,674	34,231	510	34,741	41,415
Meals and transportation	3,111	931	592	1,006	5,640	1,591	715	2,306	7,946
Occupancy expenses	137,144	216,352	275	14,820	368,591	25,059	76	25,135	393,726
Office supplies	1,157	4,337	65	20	5,579	18,577	540	19,117	24,696
Packaging and delivery	-	29,919	-	2,755	32,674	40	-	40	32,714
Professional fees	72,354	-	1,900	-	74,254	68,387	28,638	97,025	171,279
Repairs and maintenance	20,281	6,030	-	470	26,781	-	-	-	26,781
Resale goods	-	486,841	-	-	486,841	-	1,080	1,080	487,921
Software	6,127	18,705	21,360	2,289	48,481	36,437	11,762	48,199	96,680
Total Nonsalary Related Expenses	<u>938,375</u>	<u>814,489</u>	<u>54,335</u>	<u>69,584</u>	<u>1,876,783</u>	<u>284,509</u>	<u>50,293</u>	<u>334,802</u>	<u>2,211,585</u>
Total Expenses	<u>\$ 2,045,620</u>	<u>\$ 1,076,341</u>	<u>\$ 824,665</u>	<u>\$ 152,926</u>	<u>\$ 4,099,552</u>	<u>\$ 875,341</u>	<u>\$ 475,549</u>	<u>\$ 1,350,890</u>	<u>\$ 5,450,442</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, 2023

	Program Services				Supporting Services				Total Expenses
	Project Launch	The SHOP	WORKS	Project Kitchen	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses:									
Personnel	\$ 822,761	\$ 177,407	\$ 167,097	\$ 48,533	\$ 1,215,798	\$ 482,068	\$ 433,124	\$ 915,192	\$ 2,130,990
Staffing agency wages	-	-	434,592	-	434,592	-	-	-	434,592
Employee personnel costs	130,148	35,852	30,640	7,577	204,217	114,095	79,618	193,713	397,930
Staffing agency personnel costs	-	-	79,046	-	79,046	-	-	-	79,046
Total Salaries and Related Expenses	<u>952,909</u>	<u>213,259</u>	<u>711,375</u>	<u>56,110</u>	<u>1,933,653</u>	<u>596,163</u>	<u>512,742</u>	<u>1,108,905</u>	<u>3,042,558</u>
Nonsalary Related Expenses:									
Apprentice stipends	145,455	-	-	-	145,455	-	-	-	145,455
Apprentice support	91,964	-	8,314	-	100,278	-	-	-	100,278
Bank service charges	7	11,151	961	-	12,119	11,110	12	11,122	23,241
Computer and internet	21,556	2,287	431	16	24,290	12,913	150	13,063	37,353
Depreciation and amortization	123,848	13,854	2,829	693	141,224	4,510	9,024	13,534	154,758
Dues and subscriptions	88	120	700	-	908	1,967	375	2,342	3,250
Food and beverage	122,826	4,158	10	42,434	169,428	8,590	17	8,607	178,035
Insurance	-	-	-	-	-	33,168	-	33,168	33,168
Interest expense	-	-	-	-	-	6,719	-	6,719	6,719
Kitchen supplies	107,271	5,666	77	10,132	123,146	5,566	21	5,587	128,733
Marketing	13,801	18,700	429	272	33,202	17,688	12,103	29,791	62,993
Meals and transportation	2,903	1,243	772	942	5,860	6,388	555	6,943	12,803
Occupancy expenses	123,337	226,543	-	13,729	363,609	7,983	-	7,983	371,592
Office supplies	7,098	8,664	259	122	16,143	10,125	387	10,512	26,655
Packaging and delivery	171	19,266	-	7,960	27,397	-	107	107	27,504
Professional fees	55,312	-	17,413	-	72,725	100,670	15,981	116,651	189,376
Repairs and maintenance	32,957	4,251	-	659	37,867	1,237	-	1,237	39,104
Resale goods	-	374,486	-	-	374,486	-	-	-	374,486
Software	19,089	16,637	7,665	-	43,391	42,104	-	42,104	85,495
Total Nonsalary Related Expenses	<u>867,683</u>	<u>707,026</u>	<u>39,860</u>	<u>76,959</u>	<u>1,691,528</u>	<u>270,738</u>	<u>38,732</u>	<u>309,470</u>	<u>2,000,998</u>
Total Expenses	<u>\$ 1,820,592</u>	<u>\$ 920,285</u>	<u>\$ 751,235</u>	<u>\$ 133,069</u>	<u>\$ 3,625,181</u>	<u>\$ 866,901</u>	<u>\$ 551,474</u>	<u>\$ 1,418,375</u>	<u>\$ 5,043,556</u>

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

KITCHENS FOR GOOD, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 206,577	\$ (277,244)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	123,010	126,691
Amortization	40,924	28,067
Amortization of debt issuance costs	9,490	1,796
Amortization of right-of-use asset - operating lease	250,666	229,251
(Increase) Decrease in:		
Accounts receivable	150,831	(366,250)
Contributions receivable	(824,443)	130,484
Inventory	2,022	3,267
Prepaid expenses	(11,391)	(3,370)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(3,361)	4,566
Deferred revenue	(107,262)	107,262
Operating lease liability	(239,912)	(210,204)
Net Cash Used in Operating Activities	<u>(402,849)</u>	<u>(225,684)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	-	(40,096)
Purchase of intangible assets	-	(42,640)
Net Cash Used in Investing Activities	<u>-</u>	<u>(82,736)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments for financing costs	-	(19,000)
Proceeds from notes payable	150,000	350,000
Payments on notes payable	-	(75,000)
Net Cash Provided by Financing Activities	<u>150,000</u>	<u>256,000</u>
Net Decrease in Cash and Cash Equivalents	(252,849)	(52,420)
Cash and Cash Equivalents at Beginning of Year	<u>878,187</u>	<u>930,607</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 625,338</u>	<u>\$ 878,187</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 21,656</u>	<u>\$ -</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 290,298</u>	<u>\$ 294,336</u>
Right-of-use assets upon ASC 842 implementation:		
Operating leases	<u>\$ -</u>	<u>\$ 2,105,230</u>
Right-of-use asset after ASC 842 implementation:		
Operating leases	<u>\$ -</u>	<u>\$ 238,384</u>

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

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, California State Certified, 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 Kitchen: This program contains the Organization’s revenue-generating food enterprises, which provide paid on-the-job training hours to the apprentices. This program currently includes the concession contract at The Rady Shell at Jacobs Park concert venue in San Diego. This contract is managed and operated by a culinary graduate and provides paid on-the-job training to the 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, mission-aligned partners, or current/former apprentices.

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.
- 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.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

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, 2024 and 2023.

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 \$59,068 and \$61,090 at June 30, 2024 and 2023, respectively.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Accounts receivable are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts receivable were fully collectible; therefore, no allowance for credit losses on accounts receivable were recorded at June 30, 2024 and 2023.

Allowance for Doubtful Contributions Receivable

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding contributions receivable. Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at June 30, 2024 and 2023.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 \$123,010 and \$126,691 for the years ended June 30, 2024 and 2023, 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 \$40,924 and \$28,067 for the years ended June 30, 2024 and 2023, 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 \$9,490 and \$1,796 for the years ended June 30, 2024 and 2023, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$48,191 and \$43,772 at June 30, 2024 and 2023, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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. Deferred revenue totaled \$-0- and \$107,262 at June 30, 2024 and 2023, respectively.

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>2024</u>	<u>2023</u>
Resale items	\$ 488,182	\$ 380,617
Legal Services	3,065	10,794
Total In-kind Contributions	<u>\$ 491,247</u>	<u>\$ 391,411</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.

The Organization received legal services that are reported using the current rates for similar legal services. The services were used for administrative purposes.

Donated Services and Materials

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, 2024 and 2023, 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, 2024 AND 2023

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, 2024, 2023, 2022 and 2021 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.

Lease

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (“Topic 326”)* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through November 18, 2024, 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.

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>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 625,338	\$ 878,187
Accounts receivable	628,422	779,253
Contributions receivable	<u>824,443</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,078,203</u>	<u>\$ 1,657,440</u>

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 - Liquidity and Availability: (Continued)

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 are due in less than once year, and total \$824,443 and \$-0- at June 30, 2024 and 2023, respectively.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 126,350	\$ 126,350
Vehicles	25,015	25,015
Leasehold improvements	<u>868,344</u>	<u>868,344</u>
Subtotal	1,019,709	1,019,709
Less: Accumulated depreciation	<u>(445,056)</u>	<u>(322,046)</u>
Property and Equipment, Net	<u><u>\$ 574,653</u></u>	<u><u>\$ 697,663</u></u>

Note 6 - Intangible Assets:

Intangible assets consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Software	\$ 118,090	\$ 118,090
Less: Accumulated amortization	<u>(77,347)</u>	<u>(36,423)</u>
Intangible Assets, Net	<u><u>\$ 40,743</u></u>	<u><u>\$ 81,667</u></u>

Note 7 - Note Payable:

Note payable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Note payable to REDF Impact Investing Fund (“RIIF”) in the original amount of \$500,000. Payable in monthly interest only payments at 6.75%, due May 30, 2025. No less than one time during the term of the loan, the Organization is obligated to pay down the loan in full for a period of 15 business days. Secured by the Organization’s assets.	\$ 500,000	\$ 350,000
Total Notes Payable	<u>500,000</u>	<u>350,000</u>
Less: Unamortized debt issuance costs	<u>(7,964)</u>	<u>(17,454)</u>
Notes Payable, Net	<u><u>\$ 492,036</u></u>	<u><u>\$ 332,546</u></u>

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 7 - Note Payable: (Continued)

Debt issuance costs total \$19,000, less accumulated amortization of \$11,036 and \$1,546 at June 30, 2024 and 2023, respectively.

Future principal payments on the notes payable are as follows:

Year Ended June 30	
2025	\$ 500,000
Total	\$ 500,000

Note 8 - 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:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Project Launch	\$ 100,109	\$ 188,277
Special event sponsorship	22,838	33,050
Total Subject to Expenditure For Specified Purpose	122,947	221,327
Subject to the Passage of Time:		
Contributions receivable	626,900	-
Total Net Assets with Donor Restrictions	\$ 749,847	\$ 221,327

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:

	2024	2023
Purpose Restrictions Accomplished:		
Project Launch	\$ 127,268	\$ 67,174
Special event sponsorship	10,212	16,186
WORKS	-	175,982
Equipment	-	2,500
Time Restrictions Fulfilled		
Total Net Assets Released From Restrictions	\$ 137,480	\$ 383,326

Note 9 - Commitments:

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 \$26,720 and \$8,463 for the years ended June 30, 2024 and 2023, respectively.

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 9 - Commitments: (Continued)

Catering and Concessionaire Services

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, 2024. 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 \$14,820 and \$13,241 for the years ended June 30, 2024 and 2023, 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 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, which ended December 2022. The Organization received abated rent in February and March 2024 for flood damage to the property. Rent expense totaled \$65,000 and \$78,000 for the years ended June 30, 2024 and 2023, 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 and increase by 3% annually on May 1st. Rent expense totaled \$181,948 and \$176,649 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy expense.

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. Rent expense totaled \$42,231 and \$20,720 for the years ended June 30, 2024 and 2023, respectively and is included in occupancy expense.

The following summarizes the line items on the statement of financial position for the operating lease at June 30:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ <u>1,863,697</u>	\$ <u>2,114,363</u>
Operating lease liability - current portion	\$ 254,103	\$ 239,912
Operating lease liability - noncurrent portion	<u>1,730,966</u>	<u>1,985,069</u>
Total Operating Lease Liability	\$ <u>1,985,069</u>	\$ <u>2,224,981</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

Weighted average remaining lease term - Operating	79 months
Weighted average discount rate	2.98%

KITCHENS FOR GOOD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 9 - Commitments: (Continued)

Operating Leases (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Rent expense	\$ 289,180	\$ 275,369
Total Lease Cost	<u>\$ 289,180</u>	<u>\$ 275,369</u>

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	<u>\$ 290,298</u>	<u>\$ 294,336</u>

The following is a schedule of future minimum lease payments under the lease:

<u>Years Ended</u> <u>June 30</u>	
2025	\$ 310,757
2026	317,740
2027	324,935
2028	332,344
2029	315,133
Thereafter	<u>534,465</u>
Total	2,135,374
Less: Discount	<u>(150,305)</u>
Present Value of Lease Liabilities	<u>\$ 1,985,069</u>



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., which comprise the statement of financial position as of June 30, 2024, 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 November 18, 2024.

Report on 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 identified.

Report on 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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
November 18, 2024