KITCHENS FOR GOOD

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FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

L&C

Leaf & Cole, LLP
Certified Public Accountants

KITCHENS FOR GOOD
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Kitchens for Good, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kitchens for Good as of June 30, 2019 and 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of Kitchens for Good'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'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's internal control over financial reporting and compliance

Leaf & Cole LLP

San Diego, California
November 6, 2019

KITCHENS FOR GOOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets: (Notes 2, 4 and 6)		
Cash and cash equivalents	$ 626,813	$ 596,266
Accounts receivable	179,916	172,999
Contributions receivable	240,563	116,864
Inventory	34,396	100,926
Prepaid expenses	5,227	6,880
Total Current Assets	1,086,915	993,935
Noncurrent Assets: (Notes 2, 4, 5 and 6)		
Contributions receivable, net	291,468	60,206
Property and equipment, net	181,503	134,550
Deposits	13,196	13,196
Total Noncurrent Assets	486,167	207,952
TOTAL ASSETS	$ 1,573,082	$ 1,201,887

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities: (Notes 2, 6 and 7)		
Accounts payable and accrued expenses	$ 303,886	$ 324,191
Accrued rent	99,307	102,210
Customer deposits	46,796	53,501
Deferred rent	8,167	15,167
Line of credit	-	160,000
Current portion of notes payable	-	10,437
Total Current Liabilities	458,156	665,506
Noncurrent Liabilities: (Note 7)		
Notes payable	72,950	72,350
Total Noncurrent Liabilities	72,950	72,350
Total Liabilities	531,106	737,856
Commitments and Contingencies: (Note 9)		
Net Assets: (Notes 2 and 8)		
Without Donor Restrictions	394,414	150,703
With Donor Restrictions:		
Purpose restriction	155,497	213,328
Time restriction	492,065	100,000
Total Net Assets With Donor Restrictions	647,562	313,328
Total Net Assets	1,041,976	464,031
TOTAL LIABILITIES AND NET ASSETS	$ 1,573,082	$ 1,201,887

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

KITCHENS FOR GOOD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contributions	$ 1,789,825	$ 505,763	$ 2,295,588	$ 1,545,630	$ 313,328	$ 1,858,958
Program revenue	2,132,919	-	2,132,919	1,702,383	-	1,702,383
Special events	96,883	-	96,883	-	-	-
Other income	3,159	-	3,159	2,154	-	2,154
Net assets released from restrictions	171,529	(171,529)	-	228,764	(228,764)	-
Total Revenue and Support	4,194,315	334,234	4,528,549	3,478,931	84,564	3,563,495
Expenses:						
Program Services:						
Project Kitchen	1,854,364	-	1,854,364	1,592,201	-	1,592,201
Project Nourish	780,484		780,484	434,738		434,738
Project Launch	642,075	-	642,075	599,856	-	599,856
Total Program Services	3,276,923	-	3,276,923	2,626,795	-	2,626,795
Supporting Services:						
Management and general	449,181	-	449,181	361,468	-	361,468
Fundraising	224,500	-	224,500	129,347	-	129,347
Total Supporting Services	673,681	-	673,681	490,815	-	490,815
Total Expenses	3,950,604	-	3,950,604	3,117,610	-	3,117,610
Change in Net Assets	243,711	334,234	577,945	361,321	84,564	445,885
Net Assets at Beginning of Year	150,703	313,328	464,031	(210,618)	228,764	18,146
NET ASSETS AT END OF YEAR	$ 394,414	$ 647,562	$ 1,041,976	$ 150,703	$ 313,328	$ 464,031

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

KITCHENS FOR GOOD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			
	Project Kitchen	Project Nourish	Project Launch	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and Related Expenses:								
Personnel	$ 713,163	$ 295,850	$ 282,371	$ 1,291,384	$ 262,781	$ 138,039	$ 400,820	$ 1,692,204
Payroll taxes and fees	69,874	28,307	29,969	128,150	27,121	13,866	40,987	169,137
Total Salaries and Related Expenses	783,037	324,157	312,340	1,419,534	289,902	151,905	441,807	1,861,341
Nonsalary Related Expenses:								
Bad debt	4,518	1,250	-	5,768	-	-	-	5,768
Bank services charges	31,272	9	-	31,281	4,774	8,842	13,616	44,897
Charitable contributions	-	68,827	-	68,827	282	-	282	69,109
Computer and internet	32,398	2,935	2,038	37,371	5,817	4,866	10,683	48,054
Depreciation	10,929	12,878	4,138	27,945	57	-	57	28,002
Dues and subscriptions	3,789	1,341	2,100	7,230	1,180	246	1,426	8,656
Event rentals and services	170,541	-	3,030	173,571	762	30,139	30,901	204,472
Food and beverage	312,435	241,524	32,899	586,858	3,787	6,099	9,886	596,744
Insurance	54,031	19,049	19,550	92,630	47,697	7,419	55,116	147,746
Interest expense	-	-	-	-	11,154	-	11,154	11,154
Kitchen supplies	124,055	24,000	39,055	187,110	749	166	915	188,025
License and fees	86,584	1,323	2,631	90,538	200	-	200	90,738
Marketing	9,006	2,906	50	11,962	2,473	6,959	9,432	21,394
Meals and transportation	4,407	1,068	12,612	18,087	3,453	1,251	4,704	22,791
Occupancy	197,913	29,426	133,366	360,705	14,532	-	14,532	375,237
Office supplies	4,599	4,116	6,117	14,832	13,034	6,552	19,586	34,418
Packaging and delivery	1,131	31,941	40	33,112	-	56	56	33,168
Professional fees	1,046	3,648	53,214	57,908	39,358	-	39,358	97,266
Repairs and maintenance	19,782	5,347	3,374	28,503	4,851	-	4,851	33,354
Telephone	707	4,607	-	5,314	4,766	-	4,766	10,080
Uniforms	2,184	132	15,521	17,837	353	-	353	18,190
Total Nonsalary Related Expenses	1,071,327	456,327	329,735	1,857,389	159,279	72,595	231,874	2,089,263
Total Expenses	$ 1,854,364	$ 780,484	$ 642,075	$ 3,276,923	$ 449,181	$ 224,500	$ 673,681	$ 3,950,604

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

KITCHENS FOR GOOD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Project Kitchen	Project Nourish	Project Launch	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and Related Expenses:								
Personnel	$ 715,253	$ 157,457	$ 292,211	$ 1,164,921	$ 199,014	$ 102,621	$ 301,635	$ 1,466,556
Payroll taxes and fees	70,107	15,624	30,652	116,383	18,113	9,340	27,453	143,836
Total Salaries and Related Expenses	785,360	173,081	322,863	1,281,304	217,127	111,961	329,088	1,610,392
Nonsalary Related Expenses:								
Bad debt	12,355	64	-	12,419	592	-	592	13,011
Bank services charges	19,754	32	-	19,786	3,587	-	3,587	23,373
Computer and internet	13,846	1,247	1,821	16,914	4,465	-	4,465	21,379
Depreciation	6,098	5,049	1,980	13,127	-	-	-	13,127
Dues and subscriptions	2,350	270	-	2,620	904	-	904	3,524
Event rentals and services	162,892	14,089	2,105	179,086	82	-	82	179,168
Food and beverage	221,751	176,375	35,124	433,250	1,031	-	1,031	434,281
Insurance	59,351	13,865	22,349	95,565	41,099	6,786	47,885	143,450
Interest expense	-	-	-	-	19,158	-	19,158	19,158
Kitchen supplies	74,942	23,750	19,441	118,133	370	-	370	118,503
License and fees	646	323	1,289	2,258	460	-	460	2,718
Marketing	6,587	2,825	713	10,125	19,770	-	19,770	29,895
Meals and transportation	6,788	7,172	5,652	19,612	2,417	-	2,417	22,029
Occupancy	203,027	2,520	146,177	351,724	12,615	-	12,615	364,339
Office supplies	1,078	202	6,847	8,127	6,092	-	6,092	14,219
Outsourced services	694	30	465	1,189	50	-	50	1,239
Professional fees	57	11,608	14,717	26,382	22,662	10,600	33,262	59,644
Repairs and maintenance	11,372	1,909	6,149	19,430	3,830	-	3,830	23,260
Telephone	2,073	159	-	2,232	4,825	-	4,825	7,057
Uniforms	1,180	168	12,164	13,512	332	-	332	13,844
Total Nonsalary Related Expenses	806,841	261,657	276,993	1,345,491	144,341	17,386	161,727	1,507,218
Total Expenses	$ 1,592,201	$ 434,738	$ 599,856	$ 2,626,795	$ 361,468	$ 129,347	$ 490,815	$ 3,117,610

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

KITCHENS FOR GOOD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ 577,945	$ 445,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,002	13,127
Amortization of deferred financing costs	600	2,482
Deferred rent	(7,000)	(6,989)
Inventory adjustment	56,846	-
(Increase) Decrease in:		
Accounts receivable	(6,917)	(80,731)
Contributions receivable, net	(354,961)	(51,998)
Inventory	9,684	(11,746)
Prepaid expenses	1,653	(5,130)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(20,305)	123,160
Accrued rent	(2,903)	11,790
Customer deposits	(6,705)	8,531
Net Cash Provided by Operating Activities	275,939	448,381
Cash Flows From Investing Activities:		
Purchase of property and equipment	(74,955)	(111,174)
Net Cash Used in Investing Activities	(74,955)	(111,174)
Cash Flows From Financing Activities:		
Proceeds from line of credit	-	210,000
Payments on line of credit	(160,000)	(194,494)
Proceeds from notes payable	-	75,000
Payments on notes payable	(10,437)	(17,212)
Payments for deferred financing costs	-	(3,000)
Net Cash (Used in) Provided by Financing Activities	(170,437)	70,294
Net Increase in Cash and Cash Equivalents	30,547	407,501
Cash and Cash Equivalents at Beginning of Year	596,266	188,765
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 626,813	$ 596,266
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 10,554	$ 9,045

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

Note 1 - Organization:

Kitchens for Good (the "Organization") is a California Non-Profit Organization incorporated in 2014. Located in San Diego, California, the Organization's mission is to break the cycles of food waste, hunger, and poverty through innovative solutions in workforce training, healthy food production and social enterprise.

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

Project Launch: The Organization conducts a 20-month culinary apprenticeship program for populations that are considered to be difficult to employ: youth who have aged out of the foster care system, individuals who have previously been incarcerated and adults who are underemployed and lack education. Graduates receive technical culinary education, industry certification and internship and job placement services at no cost to the individual. The Organization takes a "whole-person" approach to vocational training, incorporating culinary arts, nutrition education, resume writing and financial literacy. As part of the program, students give back to the community by preparing nutritious meals out of rescued and donated food for hunger relief partners. Students also get paid for on the job training experience by working 5 - 15 hours a week in the social enterprise.

Project Kitchen: This is the Organization's on-site and off-site catering and events operation and the concession and restaurant operation at the Moonlight Amphitheater in the City of Vista. Project Kitchen is a revenue generating program that provides healthy, locally sourced meals to the Organization's non-profit partners, corporations and individuals. Project Kitchen's most important role is the impact it has on the Project Launch students and graduates. It provides students with educational lessons, mentorship and real-world experience through 5 - 15 hours a week of on the job training. The Organization is dedicated to a business model that balances organizational sustainability with mission effectiveness. By committing to sustainability in every aspect of the Organization, including local food sourcing and alternative revenue streams, the Organization will remain resilient to enable growth and have a greater impact on hunger and self-sufficiency in the community.

Project Nourish: This program rescues surplus and cosmetically imperfect food from wholesalers and farmers and transforms these ingredients into nutritious meals for vulnerable populations. This year Project Nourish distributed 130,724 nutritious meals, prepared by the Organization's culinary students, staff, and volunteers. The Organization distributes these healthy meals to high-need populations including at risk youth through after-school programs, low-income seniors, and various homeless and low-income individuals through partnerships with local nonprofit agencies.

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.

Note 2 - Significant Accounting Policies: (Continued)

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.

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, 2019 and 2018.

Inventory

Inventory consists of raw food and cooking ingredients. Food cost is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Kitchen supplies totaling $56,846 and $-0- was written off for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

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	20 years

Depreciation totaled $28,002 and $13,127 at June 30, 2019 and 2018, 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.

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 deferred financing 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 and $2,482 for the years ended June 30, 2019 and 2018, respectively.

Compensated Absences

Accumulated unpaid vacation totaling $25,736 and $33,743 at June 30, 2019 and 2018, 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 $8,167 and $15,167 at June 30, 2019 and 2018, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

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.

Donated Services and Materials

The Organization received food donations which are recorded at fair value and totaled $88,395 and $75,477 for the years ended June 30, 2019 and 2018, respectively, and have been included in revenue and expense for the years ended June 30, 2019 and 2018.

The Organization received donations for professional services which are recorded at fair value and totaled $26,948 and $5,462 for the years ended June 30, 2019 and 2018, respectively and have been included in revenue and expenses for the years ended June 30, 2019 and 2018.

The Organization received kitchen supplies and equipment which are recorded at fair value and totaled $8,820 and $-0- for the years ended June 30, 2019 and 2018, respectively, and have been included in revenue and expenses for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

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 the Organization's management.

Note 2 - Significant Accounting Policies: (Continued)

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, 2019, 2018, 2017 and 2016 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 Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes that affected the Organization's financial statements include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019.

Subsequent Events

The Organization has evaluated subsequent events through November 6, 2019, 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 10.

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, 2019:

Financial assets as year-end:	
Cash and cash equivalents	$ 626,813
Accounts receivable	179,916
Contributions receivables	240,563
Financial assets available to meet cash needs for general expenditures within one year	$ 1,047,292

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 $400,000 as described in Note 6. 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:

	2019	2018
Current:		
Due in less than one year	$ 240,563	$ 116,864
Total Current, Net	240,563	116,864
Noncurrent:		
Due in one to five years	309,000	65,000
Less: Discounts to present value	(17,532)	(4,794)
Total Noncurrent, Net	291,468	60,206
Total Contributions Receivable, Net	$ 532,031	$ 177,070

The contributions receivable have been discounted to their present value using a discount rate between 1.74% - 2.63% at June 30, 2019 and 2018.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2019	2018
Furniture and equipment	$ 104,779	$ 88,520
Vehicles	88,570	63,555
Leasehold improvements	33,681	-
Subtotal	227,030	152,075
Less: Accumulated depreciation	(45,527)	(17,525)
Property and Equipment, Net	$ 181,503	$ 134,550

Note 6 - Line of Credit:

The Organization has a line of credit with a lender in the amount of $400,000 with interest at the lender's prime rate plus 1%, but not less than 6.50% (6.50% at June 30, 2019). The line of credit matures on June 1, 2020 and is secured by substantially all the Organization's assets. The balance on the line of credit totaled $-0- and $160,000 at June 30, 2019 and 2018, respectively.

Note 7 - Notes Payable:

Notes payable consist of the following at June 30:

	2019	2018
Note payable to The Parker Foundation in the original amount of $36,000. Payable in monthly payments of $1,500, including interest at 4.00%, due February 23, 2019. Unsecured.	$ -	$ 10,437
Note payable to The Roberts Enterprise Development Fund ("REDF") in the original amount of $75,000. Monthly interest payments of $750, including interest at 4.00% through December 2019, then 5.25%, due December 20, 2022. Unsecured. The note payable has been assigned to REDF Impact Investing Fund ("RIIF") subsequent to year end.	75,000	75,000
Total Notes Payable	75,000	85,437
Less: Unamortized debt issuance costs	(2,050)	(2,650)
Notes Payable, Net	$ 72,950	$ 82,787

Debt issuance costs total $3,000 and $5,558, less accumulated amortization of $950 and $2,908 at June 30, 2019 and 2018, respectively.

Note 7 - Notes Payable: (Continued)

Future principal payments on the notes payable are as follows:

Years Ended June 30	
2020	$ -
2021	-
2022	-
2023	75,000
2024	-
Total	$ 75,000

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Expansion	$ 91,799	$ 120,952
Project Launch	36,610	27,175
Project Nourish	23,588	-
Special event sponsorship	3,500	-
Repairs for Celebration Hall	-	60,201
Fund development	-	5,000
Total Subject to Expenditure For Specified Purpose	155,497	213,328
Subject to the Passage of Time:		
Contributions receivable, net	492,065	100,000
Total Net Assets with Donor Restrictions	$ 647,562	$ 313,328

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:

	2019	2018
Purpose Restrictions Accomplished:		
Repairs for Celebration Hall	$ 60,201	$ -
Expansion	29,153	-
Project Launch	27,175	9,638
Fund development	5,000	-
Equipment	-	4,063
Kitchen remodel	-	73,000
Development coordinator	-	17,063
Time Restrictions Fulfilled	50,000	125,000
Total Net Assets Released From Restrictions	$ 171,529	$ 228,764

Note 9 - Commitments and Contingencies:

Employee Benefit Plan

The Organization has established 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 did not make any matching contributions to the Plan for the years ended June 30, 2019 and 2018.

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, the Organization 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 $81,107 and $-0- for the years ended June 30, 2019 and 2018, respectively.

Operating Leases

In September 2015, the Organization entered into an agreement for office, kitchen and event space under a five-year non-cancellable operating lease. In addition to the monthly base rent of $11,667, the agreement calls for real estate taxes and percentage rent which is calculated as 8% of gross sales generated from the facility for each fiscal year. Payments of percentage rent are due September 30, 2018, September 30, 2019 and October 15, 2020. The unpaid balance of accrued percentage rent as of June 30, 2019 and 2018 totaled $99,307 and $102,210, respectively. Rent expense for the years ended June 30, 2019 and 2018 was $237,587 and $239,057, respectively and is included in occupancy expense.

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

Years Ended June 30	
2020	$ 140,004
2021	35,001
Total	$ 175,005

Note 10 - Subsequent Event:

On September 6, 2019, the Organization entered into a loan agreement with Parker Foundation in the amount of $35,000. The loan is payable in monthly payments of $1,500, including interest at 4.00% and is due on February 15, 2022.

Subsequent to year end, the Organization entered into a five year lease agreement with the Salvation Army for kitchen space commencing on December 1, 2019.

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

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, which comprise the statement of financial position as of June 30, 2019, 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 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kitchens for Good's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kitchens for Good's internal control. Accordingly, we do not express an opinion on the effectiveness of Kitchens for Good'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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kitchens for Good'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kitchens for Good'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
November 6, 2019