



**KITCHENS FOR GOOD, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



Leaf & Cole, LLP  
*Certified Public Accountants*

**KITCHENS FOR GOOD, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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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.

### Report on the Financial Statements

We have audited the accompanying financial statements of Kitchens For Good, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

***Opinion***

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, 2021 and 2020, 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 October 28, 2021, 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  
October 28, 2021

**KITCHENS FOR GOOD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b><u>Current Assets:</u></b> (Notes 2, 4 and 6)		
Cash and cash equivalents	\$ 1,544,822	\$ 1,545,418
Accounts receivable	196,994	145,919
Contributions receivable	221,500	198,676
Inventory	15,463	31,352
Total Current Assets	<u>1,978,779</u>	<u>1,921,365</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5 and 6)		
Contributions receivable, net	119,712	189,795
Property and equipment, net	891,192	178,936
Deposits	-	13,196
Total Noncurrent Assets	<u>1,010,904</u>	<u>381,927</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,989,683</u>	<u>\$ 2,303,292</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2 and 7)		
Accounts payable and accrued expenses	\$ 205,278	\$ 175,128
Accrued rent	-	55,162
Customer deposits	-	57,340
Deferred rent	49,400	53,167
Deferred revenue	-	130,421
Current portion of notes payable	9,315	17,251
Total Current Liabilities	<u>263,993</u>	<u>488,469</u>
<b><u>Noncurrent Liabilities:</u></b> (Note 7)		
Notes payable, net	74,150	82,865
Total Noncurrent Liabilities	<u>74,150</u>	<u>82,865</u>
Total Liabilities	<u>338,143</u>	<u>571,334</u>
<b><u>Commitments and Contingencies:</u></b> (Notes 6 and 9)		
<b><u>Net Assets:</u></b> (Notes 2 and 8)		
Without Donor Restrictions	2,237,223	1,136,498
With Donor Restrictions:		
Purpose restrictions	78,105	207,090
Time restrictions	336,212	388,370
Total Net Assets With Donor Restrictions	<u>414,317</u>	<u>595,460</u>
Total Net Assets	<u>2,651,540</u>	<u>1,731,958</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,989,683</u>	<u>\$ 2,303,292</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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Grants and contributions	\$ 3,405,382	\$ 172,619	\$ 3,578,001	\$ 3,057,455	\$ 188,082	\$ 3,245,537
Program revenue	263,741	-	263,741	1,402,247	-	1,402,247
Sales	24,575	-	24,575	-	-	-
Interest income	11,029	-	11,029	-	-	-
Special events	-	-	-	57,556	-	57,556
Other income	-	-	-	4,125	-	4,125
Net assets released from restrictions	353,762	(353,762)	-	240,184	(240,184)	-
Total Revenue and Support	<u>4,058,489</u>	<u>(181,143)</u>	<u>3,877,346</u>	<u>4,761,567</u>	<u>(52,102)</u>	<u>4,709,465</u>
<b>Expenses:</b>						
<b>Program Services:</b>						
Project Nourish	981,485	-	981,485	1,188,377	-	1,188,377
Project Launch	830,762	-	830,762	575,486	-	575,486
Project Kitchen	152,568	-	152,568	1,297,673	-	1,297,673
Total Program Services	<u>1,964,815</u>	<u>-</u>	<u>1,964,815</u>	<u>3,061,536</u>	<u>-</u>	<u>3,061,536</u>
<b>Supporting Services:</b>						
Management and general	630,039	-	630,039	643,891	-	643,891
Fundraising	362,910	-	362,910	314,056	-	314,056
Total Supporting Services	<u>992,949</u>	<u>-</u>	<u>992,949</u>	<u>957,947</u>	<u>-</u>	<u>957,947</u>
Total Expenses	<u>2,957,764</u>	<u>-</u>	<u>2,957,764</u>	<u>4,019,483</u>	<u>-</u>	<u>4,019,483</u>
Change in Net Assets	1,100,725	(181,143)	919,582	742,084	(52,102)	689,982
Net Assets at Beginning of Year	<u>1,136,498</u>	<u>595,460</u>	<u>1,731,958</u>	<u>394,414</u>	<u>647,562</u>	<u>1,041,976</u>
<b>NET ASSETS AT END OF YEAR</b>	<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>

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			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Project Nourish	Project Launch	Project Kitchen		Management and General	Fundraising		
<b><u>Salaries and Related Expenses:</u></b>								
Personnel	\$ 363,612	\$ 461,125	\$ 52,829	\$ 877,566	\$ 314,704	\$ 275,382	\$ 590,086	\$ 1,467,652
Payroll taxes and fees	38,721	51,022	6,295	96,038	33,355	27,925	61,280	157,318
Total Salaries and Related Expenses	<u>402,333</u>	<u>512,147</u>	<u>59,124</u>	<u>973,604</u>	<u>348,059</u>	<u>303,307</u>	<u>651,366</u>	<u>1,624,970</u>
<b><u>Nonsalary Related Expenses:</u></b>								
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	6,541	18,183	865	25,589	16,823	9,627	26,450	52,039
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	40,987	38,642	4,107	83,736	60,835	25,072	85,907	169,643
Interest expense	-	-	-	-	5,765	-	5,765	5,765
Kitchen supplies	42,721	44,517	10,321	97,559	3,326	595	3,921	101,480
Marketing	193	1,465	1,078	2,736	15,010	6,840	21,850	24,586
Meals and transportation	2,605	8,868	1,334	12,807	573	150	723	13,530
Occupancy	53,404	54,781	5,664	113,849	40,797	264	41,061	154,910
Office supplies	395	14,233	841	15,469	12,526	1,553	14,079	29,548
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
Telephone	7,117	4,115	-	11,232	3,857	3,193	7,050	18,282
Uniforms	1,041	8,301	140	9,482	280	681	961	10,443
Total Nonsalary Related Expenses	<u>579,152</u>	<u>318,615</u>	<u>93,444</u>	<u>991,211</u>	<u>281,980</u>	<u>59,603</u>	<u>341,583</u>	<u>1,332,794</u>
<b>Total Expenses</b>	<b>\$ <u>981,485</u></b>	<b>\$ <u>830,762</u></b>	<b>\$ <u>152,568</u></b>	<b>\$ <u>1,964,815</u></b>	<b>\$ <u>630,039</u></b>	<b>\$ <u>362,910</u></b>	<b>\$ <u>992,949</u></b>	<b>\$ <u>2,957,764</u></b>

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, 2020**

	Program Services				Supporting Services			Total Expenses
	Project Nourish	Project Launch	Project Kitchen	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Salaries and Related Expenses:</b>								
Personnel	\$ 416,101	\$ 273,315	\$ 543,806	\$ 1,233,222	\$ 384,138	\$ 205,649	\$ 589,787	\$ 1,823,009
Payroll taxes and fees	38,326	28,251	54,289	120,866	31,267	32,119	63,386	184,252
Total Salaries and Related Expenses	<u>454,427</u>	<u>301,566</u>	<u>598,095</u>	<u>1,354,088</u>	<u>415,405</u>	<u>237,768</u>	<u>653,173</u>	<u>2,007,261</u>
<b>Nonsalary Related Expenses:</b>								
Bad debt	-	-	3,161	3,161	-	-	-	3,161
Bank services charges	12	-	18,977	18,989	7,222	1,544	8,766	27,755
Computer and internet	13,324	5,772	6,643	25,739	5,444	5,469	10,913	36,652
Depreciation	23,190	35,542	27,929	86,661	131	-	131	86,792
Dues and subscriptions	620	3,595	2,187	6,402	714	238	952	7,354
Event rentals and services	1,052	303	89,121	90,476	12	18,768	18,780	109,256
Food and beverage	382,062	27,306	222,386	631,754	1,370	4,788	6,158	637,912
Insurance	35,972	24,187	44,513	104,672	67,694	21,616	89,310	193,982
Interest expense	-	-	-	-	9,315	-	9,315	9,315
Kitchen supplies	98,008	15,741	57,947	171,696	192	4,902	5,094	176,790
License and fees	578	2,228	57,765	60,571	91	1,576	1,667	62,238
Marketing	-	-	17,543	17,543	12,989	11,750	24,739	42,282
Meals and transportation	11,521	8,905	8,396	28,822	2,840	4,140	6,980	35,802
Occupancy	101,852	101,480	117,494	320,826	72,300	-	72,300	393,126
Office supplies	672	10,506	4,080	15,258	14,333	423	14,756	30,014
Packaging and delivery	57,021	-	-	57,021	-	-	-	57,021
Professional fees	-	25,950	-	25,950	22,070	-	22,070	48,020
Repairs and maintenance	6,447	4,054	13,479	23,980	5,721	-	5,721	29,701
Telephone	1,449	1,231	4,669	7,349	5,669	-	5,669	13,018
Uniforms	170	7,120	3,288	10,578	379	1,074	1,453	12,031
Total Nonsalary Related Expenses	<u>733,950</u>	<u>273,920</u>	<u>699,578</u>	<u>1,707,448</u>	<u>228,486</u>	<u>76,288</u>	<u>304,774</u>	<u>2,012,222</u>
<b>Total Expenses</b>	<u>\$ 1,188,377</u>	<u>\$ 575,486</u>	<u>\$ 1,297,673</u>	<u>\$ 3,061,536</u>	<u>\$ 643,891</u>	<u>\$ 314,056</u>	<u>\$ 957,947</u>	<u>\$ 4,019,483</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 919,582	\$ 689,982
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	98,148	86,792
Amortization of debt issuance costs	600	600
Deferred rent	(3,767)	45,000
Donated equipment	-	(15,951)
Deposit	13,196	-
<b>(Increase) Decrease in:</b>		
Accounts receivable	(51,075)	33,997
Contributions receivable, net	47,259	143,560
Inventory	15,889	3,044
Prepaid expenses	-	5,227
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	30,150	(128,758)
Accrued rent	(55,162)	(44,145)
Customer deposits	(57,340)	10,544
Deferred revenue	(130,421)	130,421
Net Cash Provided by Operating Activities	<u>827,059</u>	<u>960,313</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchase of property and equipment	(810,404)	(68,274)
Net Cash Used in Investing Activities	<u>(810,404)</u>	<u>(68,274)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Proceeds from line of credit	-	250,000
Payments on line of credit	-	(250,000)
Proceeds from notes payable	-	35,000
Payments on notes payable	(17,251)	(8,434)
Net Cash (Used in) Provided by Financing Activities	<u>(17,251)</u>	<u>26,566</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(596)	918,605
Cash and Cash Equivalents at Beginning of Year	<u>1,545,418</u>	<u>626,813</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,544,822</u></u>	<u><u>\$ 1,545,418</u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u><u>\$ 5,165</u></u>	<u><u>\$ 8,715</u></u>

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

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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:** 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. In September 2020 the Organization added two new tracks to the apprenticeship program, including Baking and Food Service Management. The Organization takes a “whole-person” approach to vocational training, incorporating technical training, nutrition education, resume writing and financial literacy. As part of the program, apprentices give back to the community by preparing nutritious meals out of rescued and donated food for hunger relief partners.

**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 apprentices and graduates. It provides apprentices with educational lessons, mentorship and real-world experience through 5 - 15 hours a week of on the job training. Project Kitchen’s catering enterprise ended operations because of the COVID-19 pandemic, in March 2020. The Moonlight Amphitheater operation was closed in December 2020, due to the pandemic. The Organization has plans to launch new revenue generating enterprises next year.

**Project Nourish:** This program rescues some surplus and cosmetically imperfect food from wholesalers and farmers and transforms these ingredients into nutritious meals for vulnerable populations. This year Project Nourish distributed 225,472 nutritious meals, prepared by the Organization’s culinary apprentices, staff, and volunteers. The Organization distributes these healthy meals to high-need populations including at risk youth, 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.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021 and 2020.

**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 or net realizable value.

**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, 2021 and 2020.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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	3 - 10 years
Vehicles	5 years
Leasehold improvements	2 - 9 years

Depreciation totaled \$98,148 and \$86,792 for the years ended June 30, 2021 and 2020, respectively.

The estimated useful asset lives were reviewed and adjusted based on modified lease terms and accounted for on a prospective basis.

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 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, 2021 and 2020, respectively.

**Compensated Absences**

Accumulated unpaid vacation totaling \$23,889 and \$17,006 at June 30, 2021 and 2020, 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 \$49,400 and \$53,167 at June 30, 2021 and 2020, respectively.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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.

Program revenue and special events are recorded as revenue in the period that the services are provided or the event occurs.

Sales revenue is recognized when the sale occurs.

**Donated Services and Materials**

The Organization received food donations which are recorded at fair value and totaled \$106,443 and \$184,887 for the years ended June 30, 2021 and 2020, respectively, and have been included in contribution revenue and functional expense for the years ended June 30, 2021 and 2020.

The Organization received donations for professional services which are recorded at fair value and totaled \$-0- and \$5,950 for the years ended June 30, 2021 and 2020, respectively and have been included in contribution revenue and functional expenses for the years ended June 30, 2021 and 2020.

The Organization received kitchen supplies, leasehold improvements and equipment which are recorded at fair value and totaled \$100,363 and \$81,010 for the years ended June 30, 2021 and 2020, respectively, and have been included in contribution revenue and functional expenses for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, 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, 2021 AND 2020**

**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, 2021, 2020, 2019 and 2018 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. Kitchens for Good 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.

**Subsequent Events**

The Organization has evaluated subsequent events through October 28, 2021, 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.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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>2021</u>	<u>2020</u>
Financial assets as year-end:		
Cash and cash equivalents	\$ 1,544,822	\$ 1,545,418
Accounts receivable	196,994	145,919
Contributions receivable	<u>221,500</u>	<u>198,676</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,963,316</u>	<u>\$ 1,890,013</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 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:

	<u>2021</u>	<u>2020</u>
Current:		
Due in less than one year	\$ <u>221,500</u>	\$ <u>198,676</u>
Total Current, Net	<u>221,500</u>	<u>198,676</u>
Noncurrent:		
Due in one to five years	125,000	200,000
Less: Discounts to present value	<u>(5,288)</u>	<u>(10,205)</u>
Total Noncurrent, Net	<u>119,712</u>	<u>189,795</u>
Total Contributions Receivable, Net	<u>\$ 341,212</u>	<u>\$ 388,471</u>

The contributions receivable have been discounted to their present value using a discount rate ranging from 0.16% - 1.74% at June 30, 2021 and 2020.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 5 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 94,523	\$ 126,177
Vehicles	88,570	88,570
Leasehold improvements	847,383	96,508
Subtotal	<u>1,030,476</u>	<u>311,255</u>
Less: Accumulated depreciation	<u>(139,284)</u>	<u>(132,319)</u>
Property and Equipment, Net	<u>\$ 891,192</u>	<u>\$ 178,936</u>

**Note 6 - Line of Credit:**

The Organization had 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 6.5%. The line of credit matured in September 2020 and was secured by substantially all the Organization's assets. There was no outstanding balance on the line of credit at June 30, 2020.

The Organization has a line of credit with a lender in the amount of \$500,000 with interest at the Wall Street Journal "prime rate" plus 0.25% (3.5% at June 30, 2021). The line of credit matures in September 2021 and is secured by substantially all of the Organization's assets. There was no outstanding balance on the line of credit at June 30, 2021. Subsequent to year end, the line of credit was renewed through September 2022.

**Note 7 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2021</u>	<u>2020</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.	\$ 9,315	\$ 26,566
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	84,315	101,566
Less: Unamortized debt issuance costs	<u>(850)</u>	<u>(1,450)</u>
Notes Payable, Net	<u>\$ 83,465</u>	<u>\$ 100,116</u>

Debt issuance costs total \$3,000 and \$3,000, less accumulated amortization of \$2,150 and \$1,550 at June 30, 2021 and 2020, respectively.



**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 7 - Notes Payable: (Continued)**

Future principal payments on the notes payable are as follows:

<u>Years Ended</u> <u>June 30</u>	
2022	\$ 9,315
2023	<u>75,000</u>
Total	<u><u>\$ 84,315</u></u>

**Note 8 - Net Assets With Donor Restrictions:**

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

	<u>2021</u>	<u>2020</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Project Launch	\$ 31,830	\$ 19,828
Special event sponsorship	23,775	1,000
Project Nourish	20,000	96,815
Equipment	2,500	-
Capital expenditures for new location	-	85,500
Staff development	-	<u>3,947</u>
Total Subject to Expenditure For Specified Purpose	<u>78,105</u>	<u>207,090</u>
<b>Subject to the Passage of Time:</b>		
Contributions receivable, net	<u>336,212</u>	<u>388,370</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 414,317</u></u>	<u><u>\$ 595,460</u></u>

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:

	<u>2021</u>	<u>2020</u>
<b>Purpose Restrictions Accomplished:</b>		
Project Nourish	\$ 96,815	\$ 15,451
Capital expenditures for new location	83,000	4,758
Project Launch	10,700	32,410
Staff development	3,947	-
Special event sponsorship	1,000	3,500
<b>Time Restrictions Fulfilled</b>	<u>158,300</u>	<u>184,065</u>
Total Net Assets Released From Restrictions	<u><u>\$ 353,762</u></u>	<u><u>\$ 240,184</u></u>

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 9 - 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 did not make any matching contributions to the Plan for the years ended June 30, 2021 and 2020.

**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 \$467 and \$51,359 for the years ended June 30, 2021 and 2020, respectively. In December 2020, the Organization terminated this agreement as a result of the restrictions implemented during the COVID-19 pandemic.

**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. In November 2020, the Organization signed the Second Amendment to Lease Agreement to extend the lease term to November 30, 2020 and amend the lease terms to eliminate the percentage rent and monthly installments of basic rent commencing August 1, 2020. Payments of percentage rent are due September 30, 2018, September 30, 2019 and from August 1, 2020 through November 30, 2020, in lieu of monthly rent and percentage rent, the Organization will provide the lessor with kitchen equipment described in the Second Amendment to the Lease Agreement. The lease agreement expired November 30, 2020. The unpaid balance of accrued percentage rent at June 30, 2021 and 2020 totaled \$-0- and \$55,162, respectively.

On December 31, 2019 Kitchens for Good entered into a five year lease agreement with the Salvation Army for kitchen 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 office space on a month to month basis for \$600 per month. Rent expense totaled \$72,900 and \$248,453 for the years ended June 30, 2021 and 2020, respectively and is included in occupancy expense.

**KITCHENS FOR GOOD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 9 - 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>	
2022	\$ 78,000
2023	78,000
2024	78,000
2025	<u>13,000</u>
Total	<u>\$ 247,000</u>

**Payroll Protection Program Loan**

In April 2020, the Organization received a loan totaling \$395,775 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2022. The Organization has recognized the \$130,421 and \$265,354 as revenue for the years ended June 30, 2021 and 2020, since they have satisfied the terms and conditions of forgiveness of the PPP.

**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 10 – Subsequent Event:**

In September 2021, the Organization entered into a lease agreement for retail space under a five year four month non-cancellable operating lease. The term of the lease commences on November 1, 2021. Rent will be abated from November 1, 2021 through February 28, 2022. Monthly rent payments of \$14,575 begin on March 1, 2022 and increase by 3% annually.



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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

**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 may exist that have 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  
October 28, 2021