

LIFE'S KITCHEN, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

**LIFE'S KITCHEN, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Life's Kitchen, Inc.
Boise, Idaho

We have audited the accompanying financial statements of Life's Kitchen, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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. Those standards require that we plan and perform the audits 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 auditors' 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.

Board of Directors
Life's Kitchen, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life's Kitchen, Inc. as of June 30, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
January 25, 2021

LIFE'S KITCHEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 820,449	\$ 427,246
Accounts Receivable	32,679	25,011
Grants Receivable	16,500	7,000
Inventory	5,974	6,675
Prepaid Expenses	10,395	24,215
Total Current Assets	885,997	490,147
PROPERTY AND EQUIPMENT		
Land	375,000	150,489
Buildings and Improvements	375,000	-
Kitchen Equipment	110,092	103,454
Vehicles	37,834	37,834
Office Equipment and Furniture	45,651	50,787
Construction in Progress	113,307	15,728
Total Property and Equipment	1,056,884	358,292
Less: Accumulated Depreciation	(145,498)	(151,879)
Total Property and Equipment, Net	911,386	206,413
Total Assets	\$ 1,797,383	\$ 696,560
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,230	\$ 13,560
Accrued Expenses	25,259	23,963
Current Portion of Long-Term Debt	49,467	-
Deferred Revenue	7,178	3,021
Total Current Liabilities	88,134	40,544
NONCURRENT LIABILITIES		
Long-Term Debt	579,326	-
Total Noncurrent Liabilities	579,326	-
Total Liabilities	667,460	40,544
NET ASSETS		
Without Donor Restrictions:		
Board Designated	350,000	350,000
Undesignated	676,579	239,760
Total Without Donor Restrictions	1,026,579	589,760
With Donor Restrictions	103,344	66,256
Total Net Assets	1,129,923	656,016
Total Liabilities and Net Assets	\$ 1,797,383	\$ 696,560

See accompanying Notes to Financial Statements.

**LIFE'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 125,827	\$ 7,743	\$ 133,570
Grants	72,750	200,322	273,072
Catering Services	133,637	-	133,637
Café	9,965	-	9,965
Contract Food Services	152,545	-	152,545
Fundraising	122,147	-	122,147
In-Kind Contributions	101,525	-	101,525
Investment Income:			
Gain on Sale of Building	383,783	-	383,783
Other Investment Income	705	-	705
Net Assets Released from Restrictions	170,977	(170,977)	-
Total Support and Revenue	1,273,861	37,088	1,310,949
 EXPENSES			
Program Services	602,852	-	602,852
Management and General	131,592	-	131,592
Fundraising	102,599	-	102,599
Total Expenses	837,042	-	837,042
 NET INCREASE IN NET ASSETS	436,819	37,088	473,907
 Net Assets - Beginning of Year	589,760	66,256	656,016
 NET ASSETS - END OF YEAR	\$ 1,026,579	\$ 103,344	\$ 1,129,923

See accompanying Notes to Financial Statements.

**LIFE'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 53,861	\$ 5,284	\$ 59,145
Grants	85,343	98,500	183,843
Catering Services	148,316	-	148,316
Café	19,042	-	19,042
Contract Food Services	150,521	-	150,521
Fundraising	116,911	-	116,911
In-Kind Contributions	66,786	-	66,786
Investment Income	1,596		1,596
Net Assets Released from Restrictions	117,734	(117,734)	-
Total Support and Revenue	760,110	(13,950)	746,160
EXPENSES			
Program Services	593,240	-	593,240
Management and General	74,045	-	74,045
Fundraising	105,846	-	105,846
Total Expenses	773,131	-	773,131
NET DECREASE IN NET ASSETS	(13,021)	(13,950)	(26,971)
Net Assets - Beginning of Year	602,781	80,206	682,987
NET ASSETS - END OF YEAR	\$ 589,760	\$ 66,256	\$ 656,016

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 242,454	\$ 54,281	\$ 65,137	\$ 361,871
Cost of Food Services	147,359	3,235	858	151,452
Lease Expense	64,777	10,269	3,950	78,996
Payroll Taxes	21,580	4,831	5,798	32,209
Employee Benefits	16,655	3,729	4,474	24,858
Depreciation	12,152	1,927	741	14,820
Advertising and Marketing	292	-	13,591	13,883
Kitchen Supplies	12,195	-	-	12,195
Professional Fees	9,240	12,580	1,500	23,320
Insurance	7,327	1,465	73	8,865
Dues and Subscriptions	3,904	1,192	1,144	6,240
Educational Expense	6,319	-	-	6,319
Bank Service Charges	9,171	70	3,388	12,629
Student Support	8,443	-	-	8,443
Office Expense	1,561	1,520	576	3,657
Linen Service	2,833	-	-	2,833
Printing	3,346	256	102	3,704
Telephone	3,616	107	64	3,787
Computer Expense	6,622	759	360	7,741
Automotive	8,138	5	75	8,218
Repairs and Maintenance	6,783	-	-	6,783
Postage and Delivery	32	329	723	1,084
Licenses and Permits	387	-	-	387
Property Taxes	-	2,915	-	2,915
Miscellaneous	6,552	141	45	6,738
Use Tax	1,114	-	-	1,114
Capital Campaign Expenses	-	2,160	-	2,160
Utilities	-	8,156	-	8,156
Interest Expense	-	21,665	-	21,665
Total Functional Expenses	\$ 602,852	\$ 131,592	\$ 102,599	\$ 837,042

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 267,820	\$ 11,738	\$ 64,335	\$ 343,893
Cost of Food Services	121,464	-	2,452	123,916
Lease Expense	61,019	9,674	3,721	74,413
Payroll Taxes	24,783	2,403	5,380	32,566
Employee Benefits	26,140	4,265	4,332	34,737
Depreciation	11,083	1,757	676	13,517
Advertising and Marketing	958	619	7,566	9,143
Kitchen Supplies	18,087	-	2,565	20,652
Professional Fees	2,715	17,544	9,409	29,668
Insurance	4,526	1,437	-	5,963
Dues and Subscriptions	4,748	2,489	998	8,235
Educational Expense	9,175	-	-	9,175
Bank Service Charges	10,504	369	2,614	13,487
Student Support	7,946	-	-	7,946
Retirement Plan	423	1,455	-	1,878
Office Expense	331	2,322	455	3,108
Linen Service	2,989	-	32	3,021
Printing	1,922	1,449	245	3,616
Telephone	1,895	2,211	62	4,168
Computer Expense	3,734	3,363	59	7,156
Automotive	6,663	153	329	7,145
Repairs and Maintenance	2,804	75	-	2,879
Postage and Delivery	52	494	573	1,119
Licenses and Permits	474	-	-	474
Property Taxes	-	1,885	-	1,885
Miscellaneous	273	1,263	43	1,579
Use Tax	712	-	-	712
Capital Campaign Expenses	-	7,080	-	7,080
	<u>\$ 593,240</u>	<u>\$ 74,045</u>	<u>\$ 105,846</u>	<u>\$ 773,131</u>
Total Functional Expenses	<u>\$ 593,240</u>	<u>\$ 74,045</u>	<u>\$ 105,846</u>	<u>\$ 773,131</u>

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase (Decrease) in Net Assets	\$ 473,907	\$ (26,971)
Adjustments to Reconcile Net Increase (Decrease) In Net Assets to Net Cash Provided (Used) by Operating Activities:		
Gain on Sale of Building	(383,783)	-
Depreciation	14,820	13,517
In-Kind Contribution of Property and Equipment	(22,624)	(800)
(Increase) Decrease in Assets:		
Accounts Receivable	(7,668)	(11,981)
Grants Receivable	(9,500)	(4,000)
Inventory	701	(133)
Prepaid Expenses and Other Assets	13,820	(8,481)
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,330)	1,430
Accrued Expenses	1,296	5,891
Deferred Revenue	4,157	(254)
Net Cash Provided (Used) by Operating Activities	77,796	(31,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(313,721)	(7,972)
Proceeds from Sale of Property and Equipment	550,335	-
Net Cash Used by Investing Activities	236,614	(7,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	83,700	-
Payments on Long-Term Debt	(4,907)	-
Net Cash Provided by Financing Activities	78,793	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	393,203	(39,754)
Cash and Cash Equivalents - Beginning of Year	427,246	467,000
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 820,449	\$ 427,246
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash - Acquisition of Building	\$ 550,000	\$ -
Contributed Assets	\$ 22,624	\$ 3,996

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Life's Kitchen, Inc. (the Organization) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was incorporated in December of 2001. The Organization is dedicated to transforming the lives of young adults by building self-sufficiency and independence through comprehensive food service and life skills training, placement in the food service industry, and continuing education. This is accomplished through an extensive 16-week program. Students receive hands-on training working in the custom catering, lunch cafe and contract food service businesses operated by the Organization. Life skills classes are taught by the Organization's staff and community volunteers.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization follows financial statement presentation requirements issued by the Financial Accounting Standards Board (FASB) for nonprofit entities. Under these provisions, net assets, revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included within net assets without donor restriction as of June 30, 2020 and 2019, is \$250,000 each year of net assets designated by the board of directors for major capital expenditures. Also included within net assets without donor restrictions as of June 30, 2020 and 2019, is \$100,000 each year of net assets designated by the board of directors for operating expenses.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of presenting the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to earnings in the period in which they are determined to be uncollectible. Management determines whether accounts will be collected by regularly evaluating individual receivables. Recoveries of receivables previously written-off are recorded when received. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2020 and 2019.

Inventory

Inventory, consisting principally of food purchased by the Organization or donated to the Organization, is carried at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at original cost. Donated assets are recorded at fair market value at the date of donation. Generally, according to the Organization's capitalization policy, furniture, fixtures, equipment, buildings, and improvements over \$600, are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the property and equipment and ranges from three to seven years.

Depreciation expense for the years ended June 30, 2020 and 2019, was \$14,820 and \$13,517, respectively.

Compensated Absences

Organization employees accrue flexible time off at a rate determined by the number of years of service with the Organization. Employees may accrue up to and carryover a maximum of 160 hours. Under most circumstances, flexible time off is payable upon termination of the employee. The amount of compensated absences included in accrued expenses is \$16,953 and \$16,287 at June 30, 2020 and 2019, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and grants are considered to be available for general expenditures unless specifically restricted by the donor. Contributions with donor restrictions are segregated for accounting purposes in order to ensure compliance with the donor's wishes. The Organization reports support with donor restrictions if the assets were received with donor purpose or timing restrictions placed on them. When the applicable restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor restrictions are placed on the donated assets. Catering services, café, and contract food services are recorded at the time the sale occurs.

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Donated Materials, Services, and Facilities

The Organization records the value of donated goods, services, and facilities when they would have purchased the donated goods, services, or facilities had they not been donated. Donated materials, services, and facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. A substantial number of volunteers donated significant amounts of their time in the Organization's program activities which have not been recorded. Donations of goods, services, and facilities valued at \$101,525 and \$66,786 were recorded in the financial statements for the years ended June 30, 2020 and 2019, respectively.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. The Organization's policy is to allocate and record expenses to various cost centers based on the direct association of the expense to the particular cost center. Cost centers are segregated into individual programs, general administration, and fundraising. Costs that cannot be directly associated with one cost center are allocated to cost centers based on defined percentages depending on the type of expense. Significant attention is focused to assure that only costs directly attributable to programs are allocated to programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on percentage of employees' time spent on each activity.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$13,883 and \$9,143 for the years ended June 30, 2020 and 2019, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

The Organization collects sales tax on catering, contract food service, and café sales. Revenues of the Organization are reported net of sales tax.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the IRC and is subject to federal income tax only on net unrelated business income. The Organization currently has no unrelated business income and is not considered a private foundation within the meaning of Section 509(a) of the IRC and all charitable contributions are considered tax deductible.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS).

Use of Estimates

The preparation of financial statements in accordance 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 as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization maintains its cash deposits at various financial institutions which at times may exceed federally insured limits. At June 30, 2020, there were no deposits held at financial institutions that exceeded federal insurance limits. Additionally, the Organization is participating in a Bank Insured Deposit Program, which provides additional deposit insurance beyond the \$250,000 FDIC insurance limits.

Change in Accounting Principle

In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2019. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Risks and Uncertainties

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these effects are still developing.

Subsequent Events

Subsequent events have been evaluated through January 25, 2021, which is the date the financial statements were available to be issued.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 820,449	\$ 427,246
Accounts Receivable	32,679	25,011
Grants Receivable	16,500	7,000
Less: Net Assets with Donor Restrictions	<u>(103,344)</u>	<u>(66,256)</u>
Total	<u>\$ 766,284</u>	<u>\$ 393,001</u>

As part of our liquidity plan, we invest cash in excess of daily requirements in money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$350,000 as of June 30, 2020.

NOTE 3 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Life Skills and Employability Training	\$ 12,234	\$ 18,925
Workforce Development	19,110	-
Food Service	12,000	-
Kitchen Equipment	-	7,174
Capital Campaign	60,000	40,157
Total Net Assets with Donor Restrictions	<u>\$ 103,344</u>	<u>\$ 66,256</u>

NOTE 4 NOTES PAYABLE

Long-term debt consists of the following as of June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Idaho First Bank PPP Loan; no payments due until Oct 2020, including interest at 1.00%; maturing April 2022; no collateral.	\$ 83,700	\$ -
Private party; monthly payments of \$2,953 including interest at 5.00%; maturing August 2026; collateralized by building.	<u>545,093</u>	<u>-</u>
Total	628,793	-
Less: Current Maturities	<u>49,467</u>	<u>-</u>
Long-Term Debt, Less Current Maturities	<u>\$ 579,326</u>	<u>\$ -</u>

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 NOTES PAYABLE (CONTINUED)

The private party loan was refinanced subsequent to year-end by Idaho First Bank with additional principal and the following terms: monthly payments of \$8,572 including interest at 3.25%; maturing June 2026; collateralized by building.

On April 10, 2020, the Company received a loan from Idaho First Bank in the amount of \$83,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from 04/10/20 to 10/10/20, is the time that a business has to spend their PPP Loan funds.

Schedules principal payments on long-term debt are as following as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 49,467
2022	51,584
2023	9,347
2024	9,825
2025	10,328
Thereafter	498,242
Total	<u><u>\$ 628,793</u></u>

NOTE 5 LEASING ACTIVITIES

The Organization leases its facility from the city of Boise at below market value under an operating lease expiring on April 30, 2015; however, the lease has been extended on a month-to-month basis. The difference between the required annual payments and the fair market value is recorded as in-kind revenue in the year of receipt. The amount recognized in the years ended June 30, 2020 and 2019, for in-kind revenue and rental expense related to this lease was \$59,000 and \$50,400, respectively. Total rent expense under this lease was \$78,996 and \$74,413 for the years ended June 30, 2020 and 2019, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, contributions received from members of the board of directors and related entities totaled \$21,265 and \$8,062, respectively.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Organization established a SIMPLE IRA plan under Section 408(p) of the IRC, effective beginning July 1, 2010 (the Plan). The Plan provides Organization matching contributions. Each eligible employee must be notified of the Organization's contribution method and percentage within a reasonable period of time before the employees' 60-day election period for the calendar year. Effective for the calendar years 2020 and 2019, the Organization elected to match employee contributions of up to 3% of compensation. Simple IRA contributions totaled \$7 and \$1,878 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8 LAND, BUILDINGS, EQUIPMENT AND VEHICLES

Land, buildings, equipment, and vehicles consisted of the following at June 30:

	2020	2019
Land	\$ 375,000	\$ 150,489
Buildings and Improvements	375,000	-
Kitchen Equipment	110,092	103,454
Vehicles	37,834	37,834
Office Equipment and Furniture	45,651	50,787
Construction in Progress	113,307	15,728
Total	1,056,884	358,292
Less: Accumulated Depreciation	(145,498)	(151,879)
Total	\$ 911,386	\$ 206,413

At June 30, 2020, the Organization had a construction project in process to remodel the new building. The estimated cost to complete the project is approximately \$1,758,120, and the estimated completion date is March 29, 2021.

NOTE 9 SUBSEQUENT EVENT

Subsequent to June 30, 2020, the Organization refinanced the existing private party note and borrowed additional funds to finance the remodel. The total amount of the note payable was \$1,750,000.