

LIFE'S KITCHEN, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**LIFE'S KITCHEN, INC.
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YEARS ENDED JUNE 30, 2021 AND 2020**

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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, 2021 and 2020, 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, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
March 10, 2022

LIFE'S KITCHEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 622,371	\$ 820,449
Accounts Receivable	30,078	32,679
Grants Receivable	20,000	16,500
Pledges Receivable, Current Portion	59,725	-
Inventory	7,895	5,974
Prepaid Expenses	9,871	10,395
Total Current Assets	749,940	885,997
PLEDGES RECEIVABLE, NONCURRENT PORTION	222,463	-
PROPERTY AND EQUIPMENT		
Land	375,000	375,000
Buildings and Improvements	2,325,320	375,000
Kitchen Equipment	225,979	110,092
Vehicles	37,834	37,834
Office Equipment and Furniture	82,967	45,651
Construction in Progress	-	113,307
Total Property and Equipment	3,047,100	1,056,884
Less: Accumulated Depreciation	(71,434)	(145,498)
Total Property and Equipment, Net	2,975,666	911,386
Total Assets	\$ 3,948,069	\$ 1,797,383
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 37,526	\$ 6,230
Accrued Expenses	28,717	25,259
Current Portion of Long-Term Debt	46,703	49,467
Deferred Revenue	4,973	7,178
PPP Loans	121,702	83,700
Total Current Liabilities	239,621	171,834
NONCURRENT LIABILITIES		
Long-Term Debt	1,702,622	495,626
Total Liabilities	1,942,243	667,460
NET ASSETS		
Without Donor Restrictions:		
Board Designated	350,000	350,000
Undesignated	1,596,629	676,579
Total Without Donor Restrictions	1,946,629	1,026,579
With Donor Restrictions	59,197	103,344
Total Net Assets	2,005,826	1,129,923
Total Liabilities and Net Assets	\$ 3,948,069	\$ 1,797,383

See accompanying Notes to Financial Statements.

**LIFE'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 175,701	\$ 792,704	\$ 968,405
Grants	119,149	227,800	346,949
Catering Services	126,964	-	126,964
Café	17,890	-	17,890
Contract Food Services	172,553	-	172,553
Fundraising	55,338	-	55,338
In-Kind Contributions	32,058	-	32,058
Gain on Extinguishment of Debt	83,700	-	83,700
Loss on Disposal of Property and Equipment	(29,816)	-	(29,816)
Net Assets Released from Restrictions	1,064,651	(1,064,651)	-
Total Support and Revenue	1,818,188	(44,147)	1,774,041
EXPENSES			
Program Services	671,081	-	671,081
Management and General	120,281	-	120,281
Fundraising	106,775	-	106,775
Total Expenses	898,138	-	898,138
NET INCREASE IN NET ASSETS	920,050	(44,147)	875,903
Net Assets - Beginning of Year	1,026,579	103,344	1,129,923
NET ASSETS - END OF YEAR	\$ 1,946,629	\$ 59,197	\$ 2,005,826

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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 260,785	\$ 58,385	\$ 70,062	\$ 389,232
Cost of Food Services	139,504	2,876	1,438	143,819
Lease Expense	51,672	2,808	1,685	56,165
Payroll Taxes	22,067	4,940	5,928	32,936
Employee Benefits	18,690	4,184	5,021	27,895
Depreciation	19,455	1,057	634	21,146
Contract Labor	600	-	-	600
Advertising and Marketing	204	-	10,014	10,218
Kitchen Supplies	21,544	-	-	21,544
Professional Fees	7,285	9,834	1,093	18,212
Insurance	9,293	1,854	90	11,237
Dues and Subscriptions	3,550	1,083	1,038	5,671
Educational Expense	3,461	-	-	3,461
Bank Service Charges	3,637	30	1,343	5,010
Student Support	5,082	-	-	5,082
Office Expense	11,159	10,871	4,103	26,133
Linen Service	1,885	-	-	1,885
Printing	4,192	320	130	4,642
Telephone	2,487	557	668	3,712
Computer Expense	953	17,527	572	19,051
Automotive	8,809	-	-	8,809
Repairs and Maintenance	7,420	-	-	7,420
Postage and Delivery	36	368	807	1,212
Licenses and Permits	2,009	-	-	2,009
Miscellaneous	188	4	1	193
Use Tax	961	-	-	961
Capital Campaign Expenses	(1,748)	-	-	(1,748)
Utilities	12,022	653	392	13,067
Interest Expense	53,879	2,928	1,757	58,564
Total Functional Expenses	\$ 671,081	\$ 120,281	\$ 106,775	\$ 898,138

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Net Assets	\$ 875,903	\$ 473,907
Adjustments to Reconcile Net Increase in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Extinguishment of Debt	(83,700)	-
Loss on Disposal of Property and Equipment	29,816	-
Gain on Sale of Building	-	(383,783)
Depreciation	21,146	14,820
In-Kind Contribution of Property and Equipment	-	(22,624)
(Increase) Decrease in Assets:		
Accounts Receivable	2,601	(7,668)
Grants Receivable	(3,500)	(9,500)
Pledges Receivable	(282,188)	-
Inventory	(1,921)	701
Prepaid Expenses	524	13,820
Increase (Decrease) in Liabilities:		
Accounts Payable	31,296	(7,330)
Accrued Expenses	3,458	1,296
Deferred Revenue	(2,205)	4,157
Net Cash Provided by Operating Activities	591,230	77,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,115,242)	(313,721)
Proceeds from Sale of Property and Equipment	-	550,335
Net Cash Provided (Used) by Investing Activities	(2,115,242)	236,614
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	1,871,027	83,700
Payments on Long-Term Debt	(545,093)	(4,907)
Net Cash Provided by Financing Activities	1,325,934	78,793
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(198,078)	393,203
Cash and Cash Equivalents - Beginning of Year	820,449	427,246
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 622,371	\$ 820,449
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash - Acquisition of Building	\$ -	\$ 550,000
Contributed Assets	\$ -	\$ 22,624

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020.

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, 2021 and 2020, was \$21,146 and \$14,820, 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 \$19,861 and \$16,953 at June 30, 2021 and 2020, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

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.

To determine revenue recognition for the arrangements that the Organization determine are within the scope of Topic 606, The Organization performs the following five steps (1) identify the contracts(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

The Organization recognizes revenue from catering services, café and contract food services at a point in time when the customer obtains control of promised goods and services in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods and services. Revenue is recognized when control of the goods has transferred to the customer or services have been performed.

The Organization's contract assets and liabilities consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Accounts Receivable	<u>\$ 30,078</u>	<u>\$ 32,679</u>
Deferred Revenue	<u>\$ 4,973</u>	<u>\$ 7,178</u>

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table provides information about significant changes in the contract liabilities for the years ended June 30:

	2021	2020
Deferred Revenue, Beginning of Year	\$ 7,178	\$ 3,021
Revenue Recognized That Was Included in Deferred Revenue at the Beginning of the Year	(7,178)	(3,021)
Increase in Deferred Revenue Due to Cash Received During the Period	4,973	7,178
Total	\$ 4,973	\$ 7,178

The following table provides information about revenue recognized at a point in time:

	2021	2020
Catering Services	\$ 126,964	\$ 133,637
Café	17,890	9,965
Contract Food Services	172,553	152,545
Total	\$ 317,407	\$ 296,147

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 \$32,058 and \$101,525 were recorded in the financial statements for the years ended June 30, 2021 and 2020, 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 \$10,218 and \$13,883 for the years ended June 30, 2021 and 2020, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021, 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 May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition of revenue when promised goods or services are transferred 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 updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2021. No cumulative effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods

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.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation with no effect on previously reported change in net assets or net asset amounts.

Subsequent Events

Subsequent events have been evaluated through March 10, 2022, which is the date the financial statements were available to be issued.

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 622,371	\$ 820,449
Accounts Receivable	30,078	32,679
Grants Receivable	20,000	16,500
Pledges Receivable, Current Portion	59,725	-
Less: Net Assets with Donor Restrictions	<u>(59,197)</u>	<u>(103,344)</u>
Total	<u>\$ 672,977</u>	<u>\$ 766,284</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 and capital reserves, which was \$350,000 for year of the year ends June 30, 2021 and 2020.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Included in pledges receivable are the following unconditional promises to give:

	<u>2021</u>	<u>2020</u>
Unconditional Promises to Give Before		
Unamortized Discount	\$ 314,725	\$ -
Less: Unamortized Discount at 3.25%	(32,537)	-
Net Unconditional Promises to Give	<u>\$ 282,188</u>	<u>\$ -</u>
Amounts Due in One Year or Less	\$ 59,725	\$ -
Between One Year and Five Years	165,000	-
More than Five Years	90,000	-
Total	<u>\$ 314,725</u>	<u>\$ -</u>

NOTE 4 RESTRICTIONS ON NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Life Skills and Employability Training	\$ 42,483	\$ 12,234
Workforce Development	15,750	19,110
Food Service	-	12,000
Kitchen Equipment	964	-
Capital Campaign	-	60,000
Total Net Assets with Donor Restrictions	<u>\$ 59,197</u>	<u>\$ 103,344</u>

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

	<u>2021</u>	<u>2020</u>
Life Skills and Employability Training	\$ 173,034	\$ 93,480
Workforce Development	34,860	36,290
Food Service	12,000	300
Kitchen Equipment	-	7,500
Capital Campaign	844,757	33,407
Total	<u>\$ 1,064,651</u>	<u>\$ 170,977</u>

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 NOTES PAYABLE

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Idaho First Bank Loan; monthly payments of \$8,572 including interest at 3.25%; maturing June 2026; collateralized by building.	\$ 1,749,325	\$ -
Private party; monthly payments of \$2,953 including interest at 5.00%; maturing August 2026; collateralized by building. Paid off during FY 2021.	-	545,093
Total	1,749,325	545,093
Less: Current Maturities	46,703	49,467
Long-Term Debt, Less Current Maturities	<u>\$ 1,702,622</u>	<u>\$ 495,626</u>

Schedules principal payments on long-term debt are as following as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 46,703
2023	48,243
2024	49,835
2025	51,479
2026	1,553,065
Thereafter	-
Total	<u>\$ 1,749,325</u>

NOTE 6 PPP LOANS

On April 10, 2020, the Organization 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 Organization 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 April 10, 2020 to October 10, 2020, is the time that a business has to spend their PPP Loan funds.

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NOTE 6 PPP LOANS (CONTINUED)

On October 21, 2020, the SBA processed the Organization's PPP Loan forgiveness application and notified Idaho First Bank the PPP Loan qualifies for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt during the year ending June 30, 2021. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

On January 18, 2021, the Organization received a second loan from Idaho First Bank in the amount of \$121,702 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "second PPP Loan"). The second PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five 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 Organization fails to apply for forgiveness within 10 months after the covered period, then a 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 January 18, 2021 to July 5, 2021 is the time that a business has to spend their PPP loan funds.

NOTE 7 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, 2021 and 2020, for in-kind revenue and rental expense related to this lease was \$22,915 and \$59,000, respectively. Total rent expense under this lease was \$56,165 and \$78,996 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, contributions received from members of the board of directors and related entities totaled \$42,759 and \$21,265, respectively.

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NOTE 9 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 2021 and 2020, the Organization elected to match employee contributions of up to 3% of compensation. Simple IRA contributions totaled \$-0- and \$7 for the years ended June 30, 2021 and 2020, respectively.

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