BRACKEN'S KITCHEN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONTENTS

YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bracken's Kitchen, Inc.:

We have audited the accompanying financial statements of Bracken's Kitchen, Inc. (a nonprofit organization), which comprises the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 auditors consider 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.

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Auditors' Responsibility *(continued)*

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 Bracken's Kitchen, Inc. as of December 31, 2019 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

YH Advisors, Inc.

Huntington Beach, California
October 15, 2020

BRACKEN'S KITCHEN, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	1,132,397
Accounts receivable		52,506
Contributions receivable		22,000
Prepaid expenses		17,381
Total Current Assets		1,224,284
PROPERTY AND EQUIPMENT, NET		39,267
OTHER NONCURRENT ASSETS		
Deposits		14,845
TOTAL ASSETS	$	1,278,396

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	21,872
Accrued employee related expenses		70,774
Tenant deposits		6,660
Total Current Liabilities		99,306
COMMITMENTS (NOTE 8)		
TOTAL LIABILITIES		99,306
NET ASSETS		
Without donor restrictions		1,012,090
With donor restrictions		167,000
TOTAL NET ASSETS		1,179,090
TOTAL LIABILITIES AND NET ASSETS	$	1,278,396

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

BRACKEN'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions and grants	$ 608,331	$ 193,000	$ 801,331
In-kind contributions	926,555	--	926,555
Community food program partnerships	460,938	--	460,938
Rental income	137,311	--	137,311
Catering income	83,353	--	83,353
Net assets released from restrictions	85,000	(85,000)	--
	2,301,488	108,000	2,409,488
SPECIAL EVENTS			
Special event revenues	202,059	--	202,059
Special event expenses	(34,377)	--	(34,377)
	167,682	--	167,682
TOTAL REVENUE AND SUPPORT	2,469,170	108,000	2,577,170
OPERATING EXPENSES			
Program services	1,817,418	--	1,817,418
Supporting services:			
Management and general	131,003	--	131,003
Fundraising	66,513	--	66,513
TOTAL EXPENSES	2,014,934	--	2,014,934
CHANGE IN NET ASSETS	454,236	108,000	562,236
BEGINNING NET ASSETS	557,854	59,000	616,854
ENDING NET ASSETS	$ 1,012,090	$ 167,000	$ 1,179,090

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

BRACKEN'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES				
Salaries and wages	$ 461,386	$ 59,039	$ 52,506	$ 572,931
Employee benefits and taxes	31,595	4,183	3,448	39,226
TOTAL PERSONNEL EXPENSES	492,981	63,222	55,954	612,157
OTHER EXPENSES				
Automobile	8,176	--	--	8,176
Bank and merchant fees	--	7,235	--	7,235
Depreciation	9,830	--	--	9,830
Food expense	116,753	--	917	117,670
Food expense – in-kind	747,854	--	--	747,854
Information technology	6,489	1,145	--	7,634
Insurance	4,308	8,598	--	12,906
Meetings and conferences	4,408	--	--	4,408
Occupancy	208,676	36,776	--	245,452
Office expense	5,790	2,759	--	8,549
Outreach and advertising	8,429	--	8,110	16,539
Outside services	8,384	2,172	--	10,556
Professional services	199	6,048	--	6,247
Professional services – in-kind	58,500	2,856	1,498	62,854
Supplies	39,360	--	--	39,360
Supplies – in-kind	91,473	--	--	91,473
Travel	4,689	--	34	4,723
Other	1,119	192	--	1,311
TOTAL OTHER EXPENSES	1,324,437	67,781	10,559	1,402,777
TOTAL EXPENSES	$ 1,817,418	$ 131,003	$ 66,513	$ 2,014,934

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

BRACKEN'S KITCHEN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 562,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,830
Change in operating assets and liabilities:	
Accounts receivable	(32,887)
Contributions receivable	(22,000)
Prepaid expense	(14,713)
Accounts payable and accrued expenses	20,968
Accrued employee related expenses	58,274
Tenant deposits	800
Net Cash Provided By Operating Activities	582,508
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(14,185)
Net Cash Used In Investing Activities	(14,185)
NET CHANGE IN CASH AND CASH EQUIVALENTS	568,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	564,074
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,132,397

SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	NONE
Cash paid for income taxes	NONE
Noncash investing transactions	NONE
Noncash financing transactions	NONE

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

NOTE 1 – Organization

Bracken's Kitchen, Inc. (the Organization) is a 501(c)(3) organization based in Orange County California. Founded in 2013 the Organization is committed to recovering, re-purposing and restoring food through food recovery, culinary training and our community feeding programs.

Bracken's Kitchen delivers hot and nutritious meals in a fun, and dignified manner. The program strives to serve the highest quality and most nutritious meals that many of the clients will get all week. In order to have the greatest impact with the least effort on their part Bracken's Kitchen has chosen to partner with select nonprofit organizations. Through these collaborative efforts, the Kitchen can directly reach those people most in need of a healthy meal. This has also eliminated the steps that the Kitchen might otherwise need to take to qualify a person's need.

Bracken's Kitchen uses a unique approach to provide healthy and delicious meals to children, working adults, homeless, veterans, and elderly individuals on limited incomes. Their Recovery Food program uses surplus food as a basis for healthy meals using expert culinary skills of experienced professional chefs to cook nutritious meals at very low cost. This innovative approach enables reduction of food waste and landfill inflow, increase in availability of healthy meals, and a sustainable model for significantly increasing scale to feed more people.

The Organization receives it revenue from contributions and grants, compensation from community and corporate partners for catering services.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable consist primarily of fees for catering services and are stated at the amount that management expects to collect from outstanding balances. Accounts receivable are written off when they are determined to be uncollectible.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Organization determines the allowance for doubtful contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectible. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

The Organization's policy is to capitalize asset additions over $5,000. Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided on the straight-line method over the useful lives of the assets, which are generally five to seven years. Expenditures for repairs and maintenance are expensed as incurred.

Classification of Net Assets

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 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 grantor restrictions.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Classification of Net Assets (continued)

Net Assets with Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example contributed asset that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor imposed restrictions. The expirations of donor-imposed restrictions are recognized 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.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Program service fees and event sponsorships received in advance are deferred to the applicable period in which the related services are performed or event occurs.

Donated Services and In-Kind Contributions

Contributed goods and facilities are recorded at fair value at the date of donation. Contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. During the year ended December 31, 2019, the Organization received $863,701 and $62,854 in contributed goods and professional services respectively that were utilized to support programmatic activities and fundraising events.

Outreach and Advertising

Outreach and advertising expenditures are charged to operations when incurred. Outreach and advertising expense for the year ended December 31, 2019 was $16,539.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Foundations supportive of the mission.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 became effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounting Pronouncements Adopted (continued)

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This update requires an entity to (1) measure equity investments at fair value through net income, with certain exceptions; (2) present financial assets and financial liabilities by measurement category and form of financial asset; (3) calculate the fair value of financial instruments for disclosure purposes based on an exit price. ASU 2016-01 became effective for nonpublic business entities for fiscal years beginning after December 15, 2018.

In June of 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 became effective for fiscal years beginning after December 15, 2018.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2020. The Organization is in the process of evaluating the impact of this statement and potential effects of the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 15, 2020, which is the date the financial statements were available to be issued. See Note 11.

NOTE 3 – Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$ 1,132,397
Accounts receivable	52,506
Contributions receivable	22,000
Total financial assets	1,206,903
Contractual or donor-imposed restrictions	(167,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,039,903

As part of the Organization's liquidity management plan, a portion of any operating surplus is maintained in savings accounts.

NOTE 4 – Accounts Receivable

Accounts receivable are summarized as follows at December 31:

	2019
Accounts expected to be collected in less than one year	$ 52,506

There was no allowance for doubtful accounts deemed necessary by management at December 31, 2019.

NOTE 5 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2019
Unconditional contributions expected to be collected in:	
Less than one year	$ 22,000

There was no net present value discount deemed necessary by management at December 31, 2019 as all items were expected to be collected within one year. There was no allowance for doubtful accounts as of December 31, 2019.

BRACKEN'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2019
Vehicles	$ 24,986
Machinery and Equipment	40,921
	65,907
Less accumulated depreciation	(26,640)
Total	$ 39,267

Depreciation expense for the year ended December 31, 2019 was $9,830.

NOTE 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019
Subject to expenditure for specified purpose:	
Food truck	$ 65,000
Kitchen improvements	80,000
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	22,000
Total	$ 167,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by donors during the year ended December 31:

	2019
Satisfaction of purpose restrictions:	
Recovered food program	$ 64,000
Kitchen equipment	21,000
Total	$ 85,000

BRACKEN'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 – Commitments

Operating Lease

The Organization is committed under an operating lease for the use of kitchen facilities through September 2021. The lease requires monthly payment which includes reimbursement for certain property related expenses.

Future minimum lease commitments are as follows:

2020	$ 177,342
2021	135,369
Total	$ 312,711

Lease expense for the years ended December 31, 2019 was $156,777.

NOTE 9 – Concentrations

Accounts Receivable

Accounts receivable from two accounts comprises 85% of the balance at December 31, 2019.

Contributions Receivable

Contributions receivable from one donor comprises 91% of the balance at December 31, 2019.

NOTE 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and taxes, food expense, information technology, insurance, occupancy, office expense, outreach and advertising, professional services, travel, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 – Subsequent Events & Economic Uncertainty

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Organization is headquartered, have declared a state of emergency.

Potential impacts to our programs and operations include disruptions or restrictions on employees' ability to work. Since the Covid-19 outbreak, the Organization hired an additional 16 skilled but laid-off restaurant workers in an effort to massively scale meal production. The Organization prepared and distributed over 1 MILLION meals year to date and will double the original goal of 600,000 meals for 2020. This was accomplished partially on the strength of the Recovered Food Program. Since March, the Organization recovered and repurposed over 200 tons of food that would have otherwise gone to waste.

While 85% of food provisions come from the Recovered Food Program, the Organization carries the financial burden of provision for the remaining supplemental products, which has a significant impact on meal production. Industry sources for recovered food are experiencing severe economic strain and their businesses are suffering. Therefore, the Organization aims to leverage relationships with vendors and recovery food partners for lower costs throughout the food chain.

As the suppliers tighten their inventories and farmers and meat suppliers adjust their production, a drastic increase in food costs is evident. For example, recently, the price for a 20lb case of red bell peppers cost around $16, the same case costs $31 two weeks later. A similar increase with meat products, such as ground beef; from $1.99 a pound to $4.99 a pound was noted. With these increasing costs, the Organization adjusts menus weekly and sometimes must further pivot throughout the week to best utilize what is on hand from the recovery program and supplemental purchases.

Operating in this crisis mode, the Organization remains conscientious of overhead, especially labor costs. With 16 new members on the culinary team, the financial burden to the Organization is apparent. The Organization continues to strive to improve efficiency to better maximize production output, and cautiously adjust labor capacity to meet production demands. Knowing many new staff members depend on the Organization's ability to provide minimum work hours, the Organization attempts to be equitable with labor hours across the team but without adding unnecessary financial burden into the organization.

NOTE 11 – Subsequent Events & Economic Uncertainty *(continued)*

Additionally, COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect funding streams. Any of the foregoing could harm our organization and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business model. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.