BRACKEN'S KITCHEN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

WITH SUMMARY COMPARATIVE INFORMATION FOR 2019

CONTENTS

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 statements of financial position as of December 31, 2020 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.

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, 2020 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.

Report on Summarized Comparative Information

We have previously audited Bracken's Kitchen, Inc.'s 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Evergreen Alliance

Los Alamitos, California
September 7, 2021

BRACKEN'S KITCHEN, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,924,940	$ 1,132,397
Accounts receivable	93,873	52,506
Contributions receivable	35,000	22,000
Prepaid expenses	16,933	17,381
Total Current Assets	2,070,746	1,224,284
PROPERTY AND EQUIPMENT, NET	195,619	39,267
OTHER NONCURRENT ASSETS		
Deposits	15,845	14,845
TOTAL ASSETS	$ 2,282,210	$ 1,278,396
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 38,743	$ 21,872
Accrued employee related expenses	93,032	70,774
Tenant deposits	4,360	6,660
Total Current Liabilities	136,135	99,306
COMMITMENTS (NOTE 9)		
TOTAL LIABILITIES	136,135	99,306
NET ASSETS		
Without donor restrictions	2,096,509	1,012,090
With donor restrictions	49,566	167,000
TOTAL NET ASSETS	2,146,075	1,179,090
TOTAL LIABILITIES AND NET ASSETS	$ 2,282,210	$ 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, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	December 31, 2020	December 31, 2019
REVENUE AND SUPPORT				
Contributions and grants	$ 2,087,533	$ 89,450	$ 2,176,983	$ 801,331
In-kind contributions	2,067,076	--	2,067,076	926,555
Community food program partnerships	535,658	--	535,658	460,938
Rental income	39,066	--	39,066	137,311
Catering income	21,665	--	21,665	83,353
Net assets released from restrictions	206,884	(206,884)	--	--
	4,957,882	(117,434)	4,840,448	2,409,488
SPECIAL EVENTS				
Special events revenue	131,408	--	131,408	202,059
Special events expense	(30,145)	--	(30,145)	(34,377)
	101,263	--	101,263	167,682
TOTAL REVENUE AND SUPPORT	5,059,145	(117,434)	4,941,711	2,577,170
EXPENSES				
Program services	3,660,253	--	3,660,253	1,817,418
Supporting services:				
Management and general	184,973	--	184,973	131,003
Fundraising	129,500	--	129,500	66,513
TOTAL EXPENSES	3,974,726	--	3,974,726	2,014,934
CHANGE IN NET ASSETS	1,084,419	(117,434)	966,985	562,236
NET ASSETS AT BEGINNING OF YEAR	1,012,090	167,000	1,179,090	616,854
NET ASSETS AT END OF YEAR	$ 2,096,509	$ 49,566	$ 2,146,075	$ 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, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

	Program Services	Management and General	Fundraising	December 31, 2020	December 31, 2019
PERSONNEL EXPENSES					
Salaries and wages	$ 842,391	$ 84,724	$ 71,476	998,591	$ 572,931
Employee benefits and taxes	61,982	6,279	4,998	73,259	39,226
TOTAL PERSONNEL EXPENSES	904,373	91,003	76,474	1,071,850	612,157
OTHER EXPENSES					
Automobile	18,020	--	--	18,020	8,176
Bad debt expense	--	4,100	--	4,100	--
Bank and merchant fees	--	9,316	--	9,316	7,235
Depreciation	27,656	--	--	27,656	9,830
Food expense	239,949	41	3,106	243,096	117,670
Food expense – in kind	2,014,063	--	--	2,014,063	747,854
Information technology	10,349	1,854	--	12,203	7,634
Insurance	18,866	15,042	--	33,908	12,906
Meetings and conferences	481	--	334	815	4,408
Occupancy	220,137	36,907	--	257,044	245,452
Office expenses	21,434	3,577	60	25,071	8,549
Outreach and advertising	7,518	--	8,493	16,011	16,539
Outside services	3,589	633	--	4,222	10,556
Professional services	395	22,400	40,950	63,745	6,247
Professional services – in-kind	150	--	--	150	62,854
Supplies	137,697	--	54	137,751	39,360
Supplies – in-kind	33,185	--	--	33,185	91,473
Travel	--	--	--	--	4,723
Other	2,391	100	29	2,520	1,311
TOTAL OTHER EXPENSES	2,755,880	93,970	53,026	2,902,876	1,402,777
TOTAL EXPENSES	$ 3,660,253	$ 184,973	$ 129,500	$ 3,974,726	$ 2,014,934

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

BRACKEN'S KITCHEN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31, 2020	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 966,985	$ 562,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,656	9,830
Change in operating assets and liabilities:		
Accounts receivable	(41,367)	(32,887)
Contributions receivable	(13,000)	(22,000)
Prepaid expenses	448	(14,713)
Deposits	(1,000)	--
Accounts payable and accrued expenses	16,871	20,968
Accrued employee related expenses	22,258	58,274
Tenant deposits	(2,300)	800
Net Cash Provided By Operating Activities	976,551	582,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(184,008)	(14,185)
Net Cash Used In Investing Activities	(184,008)	(14,185)
NET CHANGE IN CASH AND CASH EQUIVALENTS	792,543	568,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,132,397	564,074
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,924,940	$ 1,132,397
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	NONE	NONE
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	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 community feeding programs.

Bracken's Kitchen delivers hot and nutritious meals in a fun and dignified manner. The Organization 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 its part, Bracken's Kitchen has chosen to partner with select nonprofit organizations. Through these collaborative efforts, the Organization can directly reach those people most in need of a healthy meal. This has also eliminated the steps that the Organization 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. The 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 its revenue from contributions and grants, and 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, restrictions 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 years ended December 31, 2020 and 2019, the Organization received $2,066,926 and $863,701 and $150 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 years ended December 31, 2020 and 2019 was $16,011 and $16,539, respectively.

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 August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments to Topic 820 makes changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. ASU 2018-13 became effective for nonpublic business entities for the annual reporting period beginning after December 15, 2019.

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

Recent Accounting Pronouncements

In February 2016, the 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, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through September 7, 2021, which is the date the financial statements were available to be issued. See Note 12.

NOTE 3 – Liquidity and Availability

At December 31, 2020 and 2019, the Organization has the following financial assets available to meet cash needs for general expenditures within one year:

	2020	2019
Cash and cash equivalents	$ 1,924,940	$ 1,132,397
Accounts receivable	93,873	52,506
Contributions receivable	35,000	22,000
Total financial assets	2,053,813	1,206,903
Contractual or donor-imposed restrictions	(49,566)	(167,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,004,247	$ 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:

	2020	2019
Accounts expected to be collected in less than one year	$ 93,873	$ 52,506

There was no allowance for doubtful accounts deemed necessary by management at December 31, 2020 and 2019.

NOTE 5 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2020	2019
Unconditional contributions expected to be collected in one year	$ 35,000	$ 22,000

There was no net present value discount deemed necessary by management at December 31, 2020 or 2019 as all items were expected to be collected within one year. There was no allowance for doubtful accounts as of December 31, 2020 or 2019.

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2020	2019
Machinery and equipment	$ 53,356	$ 40,921
Vehicles	196,559	24,986
	249,915	65,907
Less accumulated depreciation	(54,296)	(26,640)
Total	$ 195,619	$ 39,267

Depreciation expense for the years ended December 31, 2020 and 2019 was $27,656 and $9,830, respectively.

NOTE 7 – Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
Food truck	$ --	$ 65,000
Kitchen improvements	14,566	80,000
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	35,000	22,000
Total	$ 49,566	$ 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 years ended December 31:

	2020	2019
Expiration of time restrictions	$ 22,000	$ --
Satisfaction of purpose restrictions:		
Recovered food program	27,450	64,000
Kitchen Equipment	92,434	21,000
Food Truck	65,000	--
	184,884	85,000
Total	$ 206,884	$ 85,000

NOTE 8 – Paycheck Protection Program (PPP) Loan

In May of 2020, the Organization received loan proceeds under the Paycheck Protection Program (the PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full time equivalent (FTE) headcount levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four-week period following loan funding. In December of 2020, the Organization's application for forgiveness was approved and the full amount of the PPP loan was recognized as grant revenue on the Statement of Activities.

While the Organization currently believes that the loan forgiveness was based on meeting the eligibility criteria, the Small Business Administration (SBA) reserves the right to re-review the loan application and subsequent forgiveness within six years following the date of loan forgiveness.

NOTE 9 – Commitments

Operating Lease

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

Future minimum lease commitments are as follows for the year ending December 31:

2021	$ 140,969

Lease expense for the years ended December 31, 2020 and 2019 was $177,692 and $156,777, respectively.

NOTE 10 – Concentrations

Accounts Receivable

Accounts receivable from one and two accounts comprises 75% and 85% of the balance at December 31, 2020 and 2019, respectively.

NOTE 10 – Concentrations *(continued)*

Contributions Receivable

Contributions receivable from one donor comprises 100% and 91% of the balance at December 31, 2020 and 2019, respectively.

NOTE 11 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. 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, meetings and conferences, occupancy, office expenses, outreach, and advertising, outside services, professional services, supplies, and other, which are allocated on the basis of estimates of time and effort.

NOTE 12 – 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.

Impacts to programs and operations included disruptions or restrictions on employees' ability to work and suspension of volunteer programs where the Organization relied heavily on in many aspects of programs. Since the Covid-19 outbreak, the Organization hired an additional 16 skilled but laid-off restaurant workers, to massively scale meal production. The Organization prepared and distributed over 1.75 MILLION meals which tripled the original goal of 600,000 meals for 2020. This was accomplished partially on the strength of the Rescued Food Program. The Organization rescued and repurposed over 240 tons of food that would have otherwise gone to waste and turned them into healthy nutritious meals. While 85% of food provisions come from the Rescued 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 rescued food are experiencing severe economic strain and their businesses are suffering. Therefore, the Organization aims to leverage relationships with vendors and rescued food partners for lower costs throughout the food chain.

NOTE 12 – Subsequent Events & Economic Uncertainty *(continued)*

As suppliers tighten their inventories and farmers and meat suppliers adjust their production, a drastic increase in food costs is evident. With a minimum of 15% of food provisions comes from purchasing, the Organization works hard to leverage relationships with vendors and rescued food partners for lower cost or discount items to bridge the gap. With cost in mind, the Organization adjusts its menu weekly and sometimes pivot throughout the week to best utilize what are on hand from rescued food program along with economical 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.

Through this, the Organization grows its partnership with agencies working together to get meals out to those who need them most. At the height of the pandemic, it had 75 partners and has since scaled back to ensure the partners meet standards and food safety guidelines. Using this network of nonprofit partners, meals are distributed to families, seniors, and military veterans in need throughout Orange County as well as areas of LA County. Some of those agencies include Miracles for Kids, Voice of the Refugee, OC Food Bank, Project Access, Orangewood, City of Garden Grove and Anaheim Family Resource Centers, and so many more.