

LEE Initiative, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020

LEE Initiative, Inc.
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Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
LEE Initiative, Inc.

Opinion

We have audited the accompanying financial statements of LEE Initiative, Inc. ("Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LEE Initiative, Inc. as of December 31, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LEE Initiative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LEE Initiative, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LEE Initiative Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about LEE Initiative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Louisville, Kentucky
February 3, 2023

LEE Initiative, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,607,086	\$ 1,578,527
Property and equipment, net	<u>75,280</u>	<u>-</u>
Total assets	<u>\$ 1,682,366</u>	<u>\$ 1,578,527</u>
Liabilities and net assets		
Accounts payable	\$ 4,524	\$ -
Accrued expenses	<u>127,329</u>	<u>866,180</u>
Total liabilities	131,853	866,180
Net assets		
Without donor restrictions	747,344	712,207
With donor restrictions	<u>803,169</u>	<u>140</u>
Total net assets	<u>1,550,513</u>	<u>712,347</u>
Total liabilities and net assets	<u>\$ 1,682,366</u>	<u>\$ 1,578,527</u>

See accompanying notes.

LEE Initiative, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021			2020		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support						
Contributions and grants	\$ 1,423,188	\$ 2,664,029	\$ 4,087,217	\$ 2,504,618	\$ 3,660,612	\$ 6,165,230
Net assets released from restrictions	<u>1,861,000</u>	<u>(1,861,000)</u>	<u>-</u>	<u>3,660,472</u>	<u>(3,660,472)</u>	<u>-</u>
Total support	3,284,188	803,029	4,087,217	6,165,090	140	6,165,230
Expenses and losses						
Program services	2,566,780	-	2,566,780	5,216,802	-	5,216,802
Management and general	317,586	-	317,586	114,061	-	114,061
Fundraising	<u>364,685</u>	<u>-</u>	<u>364,685</u>	<u>141,471</u>	<u>-</u>	<u>141,471</u>
Total expenses	<u>3,249,051</u>	<u>-</u>	<u>3,249,051</u>	<u>5,472,334</u>	<u>-</u>	<u>5,472,334</u>
Changes in net assets	35,137	803,029	838,166	692,756	140	692,896
Net assets at beginning of year	<u>712,207</u>	<u>140</u>	<u>712,347</u>	<u>19,451</u>	<u>-</u>	<u>19,451</u>
Net assets at end of year	<u>\$ 747,344</u>	<u>\$ 803,169</u>	<u>\$ 1,550,513</u>	<u>\$ 712,207</u>	<u>\$ 140</u>	<u>\$ 712,347</u>

See accompanying notes.

LEE Initiative, Inc.
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021				2020			
	Program	General & administrative	Fundraising	Total	Program	General & administrative	Fundraising	Total
Restaurant relief	\$ 2,413,207	\$ -	\$ -	\$ 2,413,207	\$ 5,109,132	\$ -	\$ -	\$ 5,109,132
Salaries and wages	109,162	176,828	156,406	442,396	98,978	62,797	66,369	228,144
Professional fees	-	38,923	-	38,923	-	9,237	-	9,237
Insurance	-	19,598	-	19,598	-	7,909	-	7,909
Office expenses	-	23,809	-	23,809	-	20,669	-	20,669
Miscellaneous	-	29,067	-	29,067	-	6,404	-	6,404
Travel	-	-	61,372	61,372	-	-	8,621	8,621
Contract labor	38,411	-	-	38,411	4,463	-	-	4,463
Postage and delivery	2,515	4,074	3,603	10,192	4,229	2,683	2,836	9,748
Taxes and licenses	-	2,172	-	2,172	-	1,021	-	1,021
Finance and service fees	-	17,471	-	17,471	-	3,341	-	3,341
Depreciation	3,485	5,644	4,992	14,121	-	-	-	-
Advertising and marketing	-	-	93,753	93,753	-	-	12,423	12,423
Fundraising events	-	-	44,559	44,559	-	-	51,222	51,222
Total	\$ 2,566,780	\$ 317,586	\$ 364,685	\$ 3,249,051	\$ 5,216,802	\$ 114,061	\$ 141,471	\$ 5,472,334

See accompanying notes.

LEE Initiative, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 838,166	\$ 692,896
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	14,121	-
Changes in		
Accounts payable	4,524	(5,722)
Accrued expenses	<u>(738,851)</u>	<u>851,971</u>
Net cash provided by operating activities	117,960	1,539,145
Cash Flows from investing activities		
Purchases of property and equipment	<u>(89,401)</u>	<u>-</u>
Cash used by investing activities	<u>(89,401)</u>	<u>-</u>
Increase in cash and cash equivalents	28,559	1,539,145
Cash and cash equivalents at beginning of year	<u>1,578,527</u>	<u>39,382</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,607,086</u></u>	<u><u>\$ 1,578,527</u></u>

See accompanying notes.

LEE Initiative, Inc.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

Note A - Nature of Organization and Operations

LEE Initiative, Inc. (the "Organization") is a non-profit organization incorporated in 2018. The Organization finds creative and forward-thinking solutions wherever they identify a need for more diversity and more equality in the restaurant industry.

The LEE Initiative, Inc. is an acronym for Let's Empower Employment. When the Organization sees a need for more diversity, equity, sustainability and compassion in the restaurant industry, it finds innovative and impactful solutions. The Organization creates programs that make a real difference in the lives of the next generation of restaurant industry professionals. The Organization helps their community and inspires others to get involved.

The LEE Initiative, Inc.'s Programs for 2021 and 2020 included:

- The Women Culinary and Spirits Program - This program creates a path to leadership for women in the food and beverage industry through mentorship, training, and continuing education opportunities. The goal of this program is to elevate more women into leadership positions within the industry with the mindset that doing so brings more equity and diversity to the industry. Each year, the Organization selects mentees to complete a six-month program which includes externships, seminars, and more. Mentees are experienced professionals in the early-to-mid stages of their food and beverage careers and are ready to take the next steps towards becoming industry leaders.
- Southern Restaurants for Racial Justice - The Organization's collective intent is to ensure financial support and other resources to sustain long-term business health and success. This program is about more than saving restaurants; it is about preserving Black culinary culture today and into the future.
- Restaurant Workers Relief Program - Through the Restaurant Workers Relief Program, the LEE Initiative empowers its vital locally-owned restaurants to serve their communities, funding their services and directly benefiting their employees as they in turn do what they do best: feed those in need.
- Restaurant Reboot Relief Program - The goal of this program is to support the unique, symbiotic relationships between small farmers and local, independent restaurants. In purchasing fresh meat, fish, produce and dairy from small farms across America and providing those resources to local restaurants, the LEE Initiative has extended a helping hand to restaurants as they face the long, slow struggle to properly re-open independent restaurants across America.
- The LEE Initiative's Culinary Education Program - Through the LEE Initiative's work with McAtee Community Training Kitchen and the culinary arts programs at Louisville-area high schools, the Organization has identified a need for increased, in-depth culinary education and training in its home city. The Culinary Education Program addresses gaps in job training and preparedness for high school students and young people in its community.

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The financial statements for the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative accounting technical literature. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

LEE Initiative, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

Note B - Summary of Significant Accounting Policies (Continued)

2. Financial Statements: Information regarding financial position and activities are reported into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions on contributions defined as follows:

- **Net Assets Without Donor Restrictions**: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- **Net Assets with Donor Restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no net assets that are maintained in perpetuity.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and changes in net assets as net assets released from restrictions.

The Organization reports gifts as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

3. Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
4. Cash and Cash Equivalents: The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Organization typically maintains balances in its bank accounts in excess of federally-insured limits.
5. Property, Equipment and Depreciation: Additions and improvements that are greater than \$500 and have a useful life more than 3 years are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Property and equipment are stated at cost except for donated property and equipment which are recorded at fair value at the date of donation. Provisions for depreciation of property and equipment have been computed on the straight-line basis over the estimated useful lives of the assets ranging from three to ten years.
6. Revenue Recognition: Contributions and grants are an important funding source for the Organization and are critical to the Organization's success in fulfilling its mission. The Organization recognizes income from unconditional contributions and pledges in the year made. The Organization recognizes income from grants in the year awarded.
7. In-Kind Contributions: The Organization receives donated goods and professional services from others. The fair value of in-kind donations was \$7,896 and \$636,936 for the years ended December 31, 2021 and 2020.

LEE Initiative, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

Note B - Summary of Significant Accounting Policies (Continued)

8. Income Taxes: The Organization has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code and is classified as an organization that is not a private foundation. Accordingly, no provision for income taxes is included in the financial statements.

The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

9. Functional Allocation of Expenses: The costs of program, fundraising, and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, fundraising, and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, postage and delivery, and depreciation, which are allocated on the basis of time and effort.

10. Related Party Transactions: A related party leasing transaction between the Organization and the Co-founder/Creative Director of the Organization has been disclosed in Note D.
11. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2022. The Organization has commenced its evaluation of the standard and anticipates an immaterial impact to the financial statements upon adoption.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. This standard will be effective for the Organization's year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

12. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

LEE Initiative, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

Note C - Liquidity and Availability

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets and liquidity resources 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>
Financial assets		
Cash and cash equivalents	\$ 1,607,086	\$ 1,578,527
Financial assets, at year end	1,607,086	1,578,527
Less those unavailable for general expenditures within one year, due to donor-imposed restrictions		
Purpose donor restrictions	<u>803,169</u>	<u>140</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 803,917</u>	<u>\$ 1,578,387</u>

Note D - Property and Equipment

At December 31, 2021, property and equipment consist of the following:

Leasehold improvements	\$ 86,259
Fixture and fixtures	<u>3,140</u>
	89,401
Less accumulated depreciation	<u>(14,121)</u>
	<u>\$ 75,280</u>

LEE Initiative, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

Note E - Operating Lease

The Organization entered into an operating lease agreement in November 2020 for office space. The lease term is from November 1, 2020 through October 31, 2025. The operating lease agreement is between the Organization and a related party, the Co-founder/Creative Director, Chef Edward Lee. Total lease expense for the years ended December 31, 2021 and 2020 was \$6,000 and \$1,000, respectively. Future obligations of the Organization related to this agreement are as follows:

<u>Year ending December 31,</u>	
2022	\$ 6,000
2023	6,000
2024	6,000
2025	<u>5,000</u>
	<u>\$ 23,000</u>

Note F - Concentrations

During the year ended December 31, 2021, contributions from two donors made up 39% of total contributions. There were no concentrations for the year ended December 31, 2020.