

LEE Initiative, Inc.

Financial Statements

Year Ended December 31, 2020

LEE Initiative, Inc.
Table of Contents
Year Ended December 31, 2020

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7 - 9



Independent Auditor's Report

To the Board of Directors
LEE Initiative, Inc.

We have audited the accompanying financial statements of LEE Initiative, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audit 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 auditor's 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.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEE Initiative, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MCM CPAs & Advisors LLP

Louisville, Kentucky
December 13, 2021

LEE Initiative, Inc.
Statement of Financial Position
December 31, 2020

Assets

Cash and cash equivalents	<u>\$ 1,578,527</u>
Total assets	<u><u>\$ 1,578,527</u></u>

Liabilities and net assets

Accrued expenses	<u>\$ 866,180</u>
Total liabilities	866,180

Net assets

Without donor restrictions	712,207
With donor restrictions	<u>140</u>

Total net assets	<u>712,347</u>
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Total liabilities and net assets	<u><u>\$ 1,578,527</u></u>
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See accompanying notes.

LEE Initiative, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support			
Contributions and grants	\$ 2,504,618	\$ 3,660,612	\$ 6,165,230
Net assets released from restrictions	<u>3,660,472</u>	<u>(3,660,472)</u>	<u>-</u>
Total support	6,165,090	140	6,165,230
Expenses and losses			
Program services	5,216,802	-	5,216,802
Management and general	114,061	-	114,061
Fundraising	<u>141,471</u>	<u>-</u>	<u>141,471</u>
Total expenses	<u>5,472,334</u>	<u>-</u>	<u>5,472,334</u>
Changes in net assets	692,756	140	692,896
Net assets at beginning of year	<u>19,451</u>	<u>-</u>	<u>19,451</u>
Net assets at end of year	<u>\$ 712,207</u>	<u>\$ 140</u>	<u>\$ 712,347</u>

See accompanying notes.

LEE Initiative, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program</u>	<u>General & administrative</u>	<u>Fundraising</u>	<u>Total</u>
Restaurant relief	\$ 5,109,132	\$ -	\$ -	\$ 5,109,132
Salaries and wages	98,978	62,797	66,369	228,144
Professional fees	-	9,237	-	9,237
Insurance	-	7,909	-	7,909
Office expenses	-	20,669	-	20,669
Miscellaneous	-	6,404	-	6,404
Travel	-	-	8,621	8,621
Contract labor	4,463	-	-	4,463
Postage and delivery	4,229	2,683	2,836	9,748
Taxes and licenses	-	1,021	-	1,021
Finance and service fees	-	3,341	-	3,341
Advertising and marketing	-	-	12,423	12,423
Fundraising events	-	-	51,222	51,222
	<u>-</u>	<u>-</u>	<u>51,222</u>	<u>51,222</u>
Total	<u>\$ 5,216,802</u>	<u>\$ 114,061</u>	<u>\$ 141,471</u>	<u>\$ 5,472,334</u>

See accompanying notes.

LEE Initiative, Inc.
Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities	
Changes in net assets	\$ 692,896
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Changes in	
Accounts payable	(5,722)
Accrued expenses	<u>851,971</u>
Net cash provided by operating activities	<u>1,539,145</u>
Increase in cash and cash equivalents	1,539,145
Cash and cash equivalents at beginning of year	<u>39,382</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,578,527</u></u>

See accompanying notes.

LEE Initiative, Inc.
Notes to Financial Statements
Year Ended December 31, 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.

In March 2020, as the restaurant industry faced unprecedented challenges, the Organization was empowered to leap immediately into action. With the support of our partners in good, the Organization turned one restaurant in Louisville, Kentucky into a relief center for out of work industry employees. The Organization fed 300 people the first night and, by the end of 2020, served more than one million meals, across dozens of cities and nearly 20 states. Ultimately, the Organization invested over two million dollars into this program to provide not only meals, but also countless pounds of groceries and necessary household items. The Organization empowered partner restaurants to hire back their staff to support these relief efforts by providing direct funds. In selecting restaurant partners, the Organization looked for independently owned restaurants that would be at the forefront of reshaping their local restaurant communities once the pandemic is over.

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.
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.

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

Note B - Summary of Significant Accounting Policies (Continued)

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. 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.
6. In-Kind Contributions: The Organization receives donated goods and professional services from others. The fair value of in-kind donations was \$636,936 for the year ended December 31, 2020.
7. 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.

8. Functional Allocation of Expenses: The costs of program, fundraising, and supporting service activities have been summarized on a functional basis in the statement 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 and postage and delivery, which are allocated on the basis of time and effort.

9. 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.

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 these ASUs on the financial statements.

10. 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)
Year Ended December 31, 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:

Financial assets	
Cash and cash equivalents	<u>\$ 1,578,527</u>
Financial assets, at year end	1,578,527
Less those unavailable for general expenditures within one year, due to donor-imposed restrictions	
Purpose donor restrictions	<u>140</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,578,387</u></u>

Note D - 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. Total lease expense for the year ended December 31, 2020, was \$1,000. Future obligations of the Organization related to this agreement are as follows:

2021	\$ 6,000
2022	6,000
2023	6,000
2024	6,000
2025	<u>5,000</u>
	<u><u>\$ 29,000</u></u>

Note E - Commitments and Contingencies

During 2020, the outbreak of the novel coronavirus disease 2019 ("COVID-19") was declared a United States and global pandemic. The Organization's operations have grown considerably as a result of the outbreak of COVID-19. Since the situation surrounding the pandemic is on-going, the Organization's operations could be further impacted by the outbreak of COVID-19. The duration, nature, and extent of the ultimate direct or indirect impact on the Organization's financial condition, liquidity, and/or future results of operations, if any, cannot be reasonably estimated at this time.