

CHEF LOU'S ARMY, INC.
FINANCIAL STATEMENTS

December 31, 2022

(With Independent Auditor's Report Thereon)

CHEF LOU'S ARMY, INC.

Table of Contents

	Page
Independent Auditor's Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	12 – 13
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Responses	16 – 17
Summary Schedule of Prior Year Findings	18



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chef Lou's Army, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chef Lou's Army, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chef Lou's Army, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Chef Lou's Army, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Chef Lou's Army, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Chef Lou's Army, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chef Lou's Army, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey audit requirements outlined in *NJ OMB Circular 15-08-OMB*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of Chef Lou's Army, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chef Lou's Army, Inc.'s internal control over financial reporting and compliance.



Toms River, New Jersey
October 22, 2024

CHEF LOU'S ARMY, INC.
Statement of Financial Position
December 31, 2022

Assets	
Cash and cash equivalents	\$ 35,315
Grants receivable	<u>114,513</u>
 Total assets	 <u><u>\$ 149,828</u></u>
 Liabilities and Net Assets	
Accounts payable	\$ 113,259
Accrued expenses	<u>22,340</u>
 Total liabilities	 <u>135,599</u>
 Net Assets	
Without donor restrictions	<u>14,229</u>
 Total net assets	 <u>14,229</u>
 Total liabilities and net assets	 <u><u>\$ 149,828</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>
Revenue, Support and Gains	
Governmental grants and contracts	\$ 444,407
Contributions	1,335
Special events	
Gross special events	107,382
Investment Income	<u>170</u>
Total revenue, support and gains	<u>553,294</u>
Expenses and losses	
Program services expenses	
Sustain and Serve Program	<u>450,424</u>
Total program expenses	450,424
Supporting services expenses	
Management and general	20,894
Fundraising and development	<u>83,033</u>
Total supporting expenses	<u>103,927</u>
Total expenses and losses	<u>554,351</u>
Change in Net Assets	(1,057)
Net Assets, Beginning of Year	<u>15,286</u>
Net Assets, End of Year	<u><u>\$ 14,229</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Program Services</u>		Fundraising and Development	<u>Total</u>
	<u>Sustain and Serve NJ</u>	<u>Management and General</u>		
Assistance to other organizations	\$ 10,250	\$ -	\$ -	\$ 10,250
Salaries and wages	1,080	5,398	4,319	10,797
Payroll taxes	118	591	473	1,182
Meals costs	438,322	-	-	438,322
Special event costs	-	-	72,353	72,353
Professional fees	-	7,548	-	7,548
Advertising and promotion	654	-	5,888	6,542
Office expense	-	1,798	-	1,798
Postage and shipping	-	3	-	3
Occupancy	-	488	-	488
Conferences and meetings	-	1,884	-	1,884
Insurance	-	2,290	-	2,290
Repairs and maintenance	-	15	-	15
Bank charges and mergancd fees	-	172	-	172
Licenses and registrations	-	356	-	356
Dues and subscriptions	-	351	-	351
	<u>\$ 450,424</u>	<u>\$ 20,894</u>	<u>\$ 83,033</u>	<u>\$ 554,351</u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from Operating Activities	
Change in net assets	\$ (1,057)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
(Increase) decrease in operating assets	
Accounts receivable	58,087
Increase (decrease) in operating liabilities	
Accounts payable	(59,421)
Accrued expenses	13,340
Deferred revenue	<u>(1,748)</u>
Net cash provided by operating activities	<u>9,201</u>
Net increase in cash and cash equivalents	9,201
Cash and cash equivalents, beginning of year	<u>26,114</u>
Cash and cash equivalents, end of year	<u><u>\$ 35,315</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2022

Note 1 – Principal Activity and Significant Accounting Policies

Organization

Chef Lou's Army, Inc. ("the Organization") is a nonprofit organization organized to provide charitable support for those in need. More specifically, the organization provides warm meals for first responders and individuals in need, as well as providing charitable giving to qualifying nonprofit organizations with similar purposes in Monmouth and Ocean counties in New Jersey.

Cash, Cash Equivalents, and Restricted Cash

The Organization consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Grant Receivables and Deferred Revenue

Receivables from contracts with federal and state agencies are reported as grants receivable. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Contributions Receivable

Chef Lou's Army, Inc. records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022, the allowance was \$0.

Property and Equipment

Chef Lou's Army, Inc. records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. The cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current year.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2022.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2022

Leasing Activity

The Organization enters into lease agreements, as lessee, to obtain the right to use assets for its business operations. The Organization evaluates contracts at inception to determine if an arrangement is or contains a lease. Lease liabilities and right of use (ROU) assets are recognized when the Organization enters into operating or financing leases and represent the Organization's obligations and right to use the asset, as lessee, over the period of the leases and may be re-measured for certain modifications, resolution of certain contingencies involving variable consideration, or the exercise of options (renewal, extension, or termination) under the lease.

Operating lease liabilities include fixed and in-substance fixed payments for the contractual duration of the lease, adjusted for renewals or terminations which were considered probable of exercise when measured. These lease payments are discounted using a rate determined when the lease is recognized. As the Organization typically does not know the discount rate implicit in the lease, we estimate a discount rate using the Organization's incremental borrowing rate, that we believe approximates a collateralized borrowing rate for the estimated duration of the lease. The discount rate is updated when remeasurement events occur. The related operating lease ROU assets may differ from the operating lease liabilities due to initial direct costs, deferred or prepaid lease payments and lease incentives. We have elected to exclude leases with original terms of less than one year from the operating lease ROU assets and operating lease liabilities. The related short-term lease expense, if applicable, is included in selling, general and administrative expenses.

The Organization currently has no finance leases.

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 certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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 those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is 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 substantially met.

The Organization recognizes contributions of services received if such services (a) they create or enhance non-financial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not continued.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2022

In addition, the Organization receives services from a number of volunteers who give significant amounts of their time to the Organizations programs and fund-raising events. No amounts have been recognized in the statement of activities because the criteria for revenue recognition under financial accounting standards have not been satisfied.

The Organization records revenues from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. These transactions primarily include cost-reimbursable grants from governmental agencies. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$6,542 during the year ended December 31, 2022.

Functional Allocation of 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 classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

Income Taxes

Chef Lou's Army, Inc. is organized as a New Jersey nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2022

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 date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$35,315
Grants receivable	114,513
	<u>\$149,828</u>

Our goal is to maintain financial assets at a level equal to 90-180 days of our operating expenses (approximately \$10,000-\$15,000). As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Note 3 – Fair Value Measurements and Disclosures

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. We invest in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. We have no Level 3 investments.

As of December 31, 2022, all financial assets were considered Level 1.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2022

Note 4 – Concentration of Revenues

Chef Lou's Army, Inc. receives approximately 80% of its revenue under contracts with state agencies. In the event the funding is terminated or significantly reduced, the Organization's ability to continue as a going concern would be greatly diminished.

Note 5 – Related Party Transactions

Chef Lou's Army, Inc. purchases meals from a Organization that is majority-owned by a member of the Organizations board of directors. In the opinion of management, the meals provided were obtained under terms favorable to the Organization. During the year ended December 31, 2022, the Organization purchased meals totaling \$216,670 from the Organization of which \$50,800 was recorded as accounts payable at year end.

Note 6 – Subsequent Events

Subsequent events were evaluated through October 22, 2024, which is the date the financial statements were available to be issued.



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Chef Lou's Army, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chef Lou's Army, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chef Lou's Army, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-03 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chef Lou's Army, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-01 and 2022-04.

Chef Lou's Army, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Chef Lou's Army, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Chef Lou's Army, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Matthew K. Varley, CPA LLC". The signature is written in a cursive style with a large, stylized initial 'M'.

Toms River, NJ
October 22, 2024

CHEF LOU'S ARMY, INC.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

<u>Federal Grantor / Pass-through / Program Title</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-through Identifying Number</u>	<u>Award / Ceiling</u>	<u>Grant Period</u>	<u>Expenditures</u>
U.S. Department of Treasury Pass-through the N.J. Economic Development Authority Coronavirus Relief Fund					
Sustain and Serve NJ Grant Program	21.029	PROD-00288843	\$ 700,000	08/29/21 - 01/31/22	\$ 2,090
Sustain and Serve NJ Grant Program	21.029	PROD-00303078	884,384	08/23/22 - 09/11/23	<u>442,317</u>
Total U.S. Department of Treasury					<u>\$ 444,407</u>

See notes to the schedule of expenditures of federal awards

CHEF LOU'S ARMY, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of state financial assistance presents the activity of all federal award programs of Chef Lou's Army, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The schedule presents only a selected portion of the operations of the Chef Lou's Army, Inc. and is not intended to, and does not, present the financial position, change in net assets, functional expenses, or cash flows of the Chef Lou's Army, Inc.

Note 2 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards are reported on the accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Note 3 – Indirect Cost Rate

The Organization did not elect the 10 percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Note 4 – Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule agree with the requests for reimbursement submitted to the N.J. Economic Development Authority.

Note 5 – Federal and State Loans Outstanding

Chef Lou's Army, Inc. had no federal or state loan balances outstanding at December 31, 2022.

CHEF LOU'S ARMY, INC.
Schedule of Findings and Responses
December 31, 2022

2022-01

Finding In order to accurately account for expenditures under the Sustain and Serve Grant and to maintain compliance with the guidelines for financial reporting by grantees under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Organizations should be using the accrual basis of accounting. At present, the Organization is preparing its financial statements on the basis of cash receipts and disbursements, whereby certain revenues and related assets are recognized when received, and expenses are recognized when paid. As a result, the financial statements required material adjustments to accurately report the financial transactions during the year ended December 31, 2022.

Recommendation We recommend that the accrual basis of accounting be used. Under that basis, revenue and the related assets are recorded when earned and expenses are recorded when the obligation is incurred. The accrual basis is required by generally accepted accounting principles in the United States since it results in financial statements that reflect the complete effects of an entity's financial transactions for a period.

Response The Organization will adopt generally accepted accounting principles, specifically accrual accounting for all future reporting periods.

2022-02

Finding Our audit procedures determined that transactions were being downloaded directly from the bank into the QuickBooks accounting records. As a result, the date the transaction was recorded indicated the date the bank processed the transaction rather than the date the transaction was prepared. As a result, material transactions were not recorded at year end and were reflected in the incorrect accounting period.

Recommendation All deposits should be recorded when they are prepared and disbursements should be recorded when the check is drafted.

Response All transactions will be recorded on a timely basis going forward.

2022-03

Finding Our revenue and expense testing determined that income from credit card sales is being recorded and reported net of merchant processing fees. As a result, income derived from credit card sales is being understated and expensed for merchant fees is understated.

Recommendation While there is no effect on net income, grossing-up the transactions will provide management with more accurate reporting of event income and strengthen internal controls to provide verification that processed transactions agree with supporting records (participants).

Response The Organization has revised its bookkeeping policies to ensure that all transactions are processed at gross.

2022-04

Finding

Audit requirements as required by the Uniform Guidance and N.J. OMB Circular 15-08 stipulate that audit reports must be submitted to the cognizant agency within the earlier of thirty days after the receipt of the auditor's report or nine months after the end of the audit period. Due to the condition of the records the audit was not able to be completed or submitted in a timely fashion.

Recommendation

We recommend that controls be put in place to ensure reporting periods are adhered to in the future.

Response

Management is actively working to implement procedures to provide accurate and timely financial reporting.

CHEF LOU'S ARMY, INC.
Summary Schedule of Prior Year Audit Findings
December 31, 2022

This section identifies the status of prior year findings related to the financial statements and federal awards that are required to be reported in accordance with Government Auditing Standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance).

Financial Statement Findings

2021-001 Recording of Checks on a Timely Basis

Status The Organization has improved the timely of transactions to the accounting records, however the issue still exists and is a repeat finding.

Response Management is working on improving controls and has hired a bookkeeper to assist with the preparation and recording of transactions.

Federal Awards

2021-002 Timely Submission of the Audit to Grantors

Status The audit was not completed with the required time limit as a result of the condition of the records. This is a repeat finding.

Response Management is working on improving controls and has hired a bookkeeper to assist with the preparation and recording of transactions which will enable more timely preparation of the audit.