

SPECIAL KNEADS AND TREATS, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019
WITH
INDEPENDENT AUDITORS' REPORT

SPECIAL KNEADS AND TREATS, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Special Kneads and Treats, Inc.

We have audited the accompanying financial statements of Special Kneads and Treats, Inc. which comprise the statements of financial position as of December 31, 2020, and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audit. We conducted our audit 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 of 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 risk 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special Kneads and Treats, Inc., 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.

Reed, Quinn & McClure, LLC

Lawrenceville, Georgia
August 4, 2021

SPECIAL KNEADS AND TREATS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 83,905	\$ 43,284
Accounts receivable	1,597	1,331
Inventory	25,168	15,091
Total current assets	110,670	59,706
Property, plant and equipment, net	668,628	684,699
Loan cost, net of amortization cost	1,862	2,035
Total assets	\$ 781,160	\$ 746,440
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 12,442	\$ 11,914
Loan payable	50,368	-
Mortgage payable - current portion	16,943	16,306
Total current liabilities	79,753	28,220
Mortgage payable - due after one year	202,950	221,754
Total liabilities	282,703	249,974
 Net Assets		
Without restrictions	498,457	496,466
Total liabilities and net assets	\$ 781,160	\$ 746,440

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

SPECIAL KNEADS AND TREATS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<i>NET ASSETS WITHOUT RESTRICTIONS</i>	2020	2019
REVENUES AND SUPPORT		
Food Sales	\$ 132,642	\$ 168,246
Contributions	100,265	190,166
Special events	88,610	68,984
Payroll protection program grant	45,100	-
Miscellaneous	10,261	9,464
In-Kind contributions	13,290	7,233
Total revenues and support	390,168	444,093
EXPENSES		
Program Expenses		
Cakes for Kiddos	79,111	72,557
Community assistance	44,369	44,750
Employment education	137,429	122,125
Total program expense	260,909	239,432
Support services	119,166	114,648
Fundraising	8,103	9,321
Total expenses	388,177	363,400
INCREASE (DECREASE) IN NET ASSETS	1,991	80,693
NET ASSETS - BEGINNING OF YEAR	496,466	415,773
NET ASSETS - END OF YEAR	\$ 498,457	\$ 496,466

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

SPECIAL KNEADS AND TREATS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Programs	Support Services	Fundraising	Total
	Cakes for Kiddos	Community Assistance	Employment Education				
Salaries and related payroll tax	\$ 53,839	\$ 27,097	\$ 113,108	\$ 194,044	\$ 57,258	\$ -	\$ 251,302
Advertising	-	-	-	-	838	2,677	3,515
Automobile	916	458	916	2,291	1,527	-	3,818
Bank service charges	157	78	157	392	5,154	-	5,546
Computer expenses	1,186	593	1,186	2,964	1,976	-	4,940
Depreciation and amortization	1,731	866	1,731	4,328	17,314	-	21,642
Donations of baked goods	951	4,779	-	5,730	-	161	5,891
Equipment	1,457	729	1,457	3,644	3,644	339	7,626
Entertainment	-	333	-	333	-	-	333
Insurance	3,542	1,771	3,542	8,855	5,903	-	14,758
Interest	2,142	1,071	2,142	5,356	3,571	-	8,927
Janitorial	1,270	635	1,270	3,175	2,116	-	5,291
Meals	-	-	-	-	-	2,961	2,961
Miscellaneous	1,260	630	1,260	3,151	2,101	-	5,252
Office supplies	341	170	341	851	568	810	2,229
Postage and printing	211	106	211	529	352	1,155	2,036
Professional services	3,461	1,730	3,461	8,651	5,768	-	14,419
Repairs and maintenance	879	439	879	2,197	1,464	-	3,661
Restaurant supplies	1,550	775	1,550	3,874	2,583	-	6,457
Spoilage	577	288	577	1,442	962	-	2,404
Telephone	382	191	382	955	636	-	1,591
Utilities	3,259	1,629	3,259	8,147	5,431	-	13,578
Total	<u>\$ 79,111</u>	<u>\$ 44,369</u>	<u>\$ 137,429</u>	<u>\$ 260,909</u>	<u>\$ 119,166</u>	<u>\$ 8,103</u>	<u>\$ 388,177</u>

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

SPECIAL KNEADS AND TREATS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Total Programs	Support Services	Fundraising	Total
	Cakes for Kiddos	Community Assistance	Employment Education				
Salaries and related payroll tax	\$ 47,336	\$ 23,315	\$ 97,227	\$ 167,878	\$ 51,986	\$ -	\$ 219,864
Advertising	370	370	47	787	149	2,030	2,966
Automobile	1,002	501	1,002	2,506	1,670	-	4,176
Bank service charges	116	58	116	289	6,500	-	6,789
Computer expenses	444	222	444	1,109	740	-	1,849
Depreciation and amortization	1,725	862	1,725	4,312	17,247	-	21,559
Donations of baked goods	-	8,255	-	8,255	-	3,862	12,117
Equipment	497	249	497	1,243	1,243	305	2,791
Entertainment	-	385	-	385	-	-	385
Insurance	5,029	2,515	5,029	12,573	8,382	-	20,955
Interest	2,303	1,152	2,303	5,758	3,839	-	9,597
Janitorial	1,006	503	1,006	2,514	1,676	-	4,191
Meals	-	-	-	-	-	2,083	2,083
Miscellaneous	605	303	605	1,513	1,009	-	2,522
Office supplies	448	224	448	1,121	747	407	2,276
Postage and printing	285	143	285	713	475	632	1,821
Professional services	2,868	1,434	2,868	7,171	4,780	-	11,951
Repairs and maintenance	599	299	599	1,497	998	-	2,495
Restaurant supplies	2,087	1,044	2,087	5,218	3,479	-	8,697
Spoilage	624	312	624	1,559	1,039	-	2,599
Telephone	368	184	368	919	613	-	1,531
Utilities	4,845	2,422	4,845	12,112	8,075	-	20,187
Total	<u>\$ 72,557</u>	<u>\$ 44,750</u>	<u>\$ 122,125</u>	<u>\$ 239,432</u>	<u>\$ 114,648</u>	<u>\$ 9,321</u>	<u>\$ 363,400</u>

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

SPECIAL KNEADS AND TREATS, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,991	\$ 80,693
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	21,642	21,559
Change in operating assets and liabilities:		
Accounts receivable	(266)	(722)
Inventory	(10,077)	(9,233)
Accounts payable	528	(69,205)
Net cash provided (used) by operating activities	13,818	23,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on disposal of assets	-	1,153
Purchase of fixed assets	(5,398)	(10,428)
Net cash provided (used) by investing activities	(5,398)	(9,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	50,368	-
Principal payments on debt	(18,167)	(15,543)
Net cash provided (used) by financing activities	32,201	(15,543)
INCREASE (DECREASE) IN CASH	40,621	(1,726)
Cash - beginning of the year	43,284	45,010
Cash - end of year	\$ 83,905	\$ 43,284
SUPPLEMENTAL INFORMATION		
Interest paid on mortgage payable	\$ 8,927	\$ 9,597
Non Cash Activity		
In-kind contributions		
Restaurant supplies	3,235	7,233
Outside services	6,656	-
Computer expenses	2,400	-
Total in-kind contributions	\$ 12,291	\$ 7,233

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

SPECIAL KNEADS AND TREATS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. NATURE OF ACTIVITIES

Special Kneads and Treats, Inc. (“Organization”) is a domestic nonprofit organization incorporated in the State of Georgia in 2012. The Organization’s core mission is to provide a free birthday cake to any child in the local community whose family cannot afford one. They work with the Department of Family and Children Services (DFCS), foster care, children’s shelters, Partnership Against Domestic Violence, Pregnancy Resource Centers, battered women’s shelters, homeless shelters, and local food cooperative ministries as well as many other local support groups to get free cakes into the hands of those in need.

A major program of the Organization is connecting individuals with disabilities to a rewarding profession while providing valuable work experience and training. The focus on special needs adults receiving self-confidence, a sense of value, and the opportunity to enjoy success and socialization is at the heart of Special Kneads and Treats, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Special Kneads and Treats, Inc. adopted the Financial Accounting Standards Update (ASU) No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit-Entities*. Accordingly, net assets are reported as net assets without donor restrictions and net assets with donor restrictions.

Fair Value of Financial Instruments

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels used to measure fair value are as follows:

- Level 1 Quoted prices in an active market for identical assets or liabilities.
- Level 2 Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data;
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; this includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Cash and cash equivalents, accounts receivable, and accounts payable are stated at cost, which approximates fair value due to their short-term maturity.

SPECIAL KNEADS AND TREATS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

Special Kneads and Treats, Inc. is a qualified tax-exempt organization under Internal Revenue Code Section 501(c)(3). The IRS has determined that Special Kneads and Treats, Inc. is not a private foundation. Accordingly, no provision for income taxes is necessary.

Contributions

Contributions of cash and other assets are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction.

Donated Services and Non-Monetary Assets

Contributions of nonmonetary assets are recorded at fair value at the date of receipt, contributions of services that can be a) measured by the creation or enhancement of a nonfinancial asset or b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been reflected in the financial statements for contributed services.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as reflected on the statements of functional expenses. The expenses that are allocated include salaries and employee benefits which are allocated on the basis of time and effort. Occupancy costs, depreciation, and similar costs have been allocated using the percentage of employee time and effort.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, cash and cash equivalents include cash, certificates of deposit, and investments with an initial maturity of three months or less.

Inventory

Inventories consist of raw materials and are stated at the lower of cost or market, on a first-in, first-out basis (FIFO).

Property and Equipment

Special Kneads and Treats, Inc. capitalizes all property and equipment with a cost of \$1,000 if purchased and fair value of \$1,000 at the date of donation if received by contribution. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Repairs and maintenance are expensed as incurred, and any betterments that extend the useful life of an asset are capitalized.

SPECIAL KNEADS AND TREATS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

In preparing these financial statements, Special Kneads and Treats, Inc. has evaluated events and transactions for potential recognition or disclosure through August 4, 2021, the date the financial statements were available to be issued.

3. CONCENTRATIONS OF CREDIT RISK

Special Kneads and Treats, Inc. maintains its cash balances in high credit quality institutions. These balances are insured by the FDIC up to \$250,000, per financial institution. On December 31, 2020, and 2019, Special Kneads and Treats, Inc. did not have balances in excess of the FDIC insured limits.

4. PROPERTY, PLANT, AND EQUIPMENT

On December 31, property, plant, and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 58,529	\$ 63,823
Building	214,000	214,000
Building improvements	333,017	333,017
Land	<u>161,000</u>	<u>161,000</u>
Total property and equipment	766,546	771,840
Less accummulated depreciation	<u>(97,918)</u>	<u>(87,141)</u>
Net property and equipment	<u>\$ 668,628</u>	<u>\$ 684,699</u>
Depreciation expense	<u>\$ 21,469</u>	<u>\$ 21,386</u>

5. MORTGAGE PAYABLE

Special Kneads and Treats, Inc. purchased its building in 2016 and obtained a mortgage with an interest rate of 3.84%. The mortgage requires monthly payments of \$2,095 which includes principal and interest. The loan matures in October 2023, with a balloon payment of approximately \$172,975 plus any accrued interest. The note also requires a prepayment fee of approximately 2% of the principal payments in the year prepayment is made. The mortgage note is secured by the building and improvements. On December 31, 2020, and 2019, the balance on the note was \$219,893 and \$238,060, respectively.

SPECIAL KNEADS AND TREATS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

5. MORTGAGE PAYABLE – continued

On December 31, 2020, future minimum payments on the mortgage are as follows:

2021		\$	16,943	
2022			17,605	
2023			185,345	
			219,893	
		\$	219,893	

6. LOAN PAYABLE

During the year ended December 31, 2020, Special Kneads and Treats, Inc. obtained a promissory note for \$50,000 with an interest rate of 2.75% over 5 years, the first payment is due in June of 2021. The balance of the loan at December 31, 2020 was \$50,368. The loan did not carry a prepayment penalty and was paid in full subsequent to the date of these financial statements and prior to issuance.

7. PAYROLL PROTECTION PROGRAM GRANT

During the year ended December 31, 2020, Special Kneads and Treats, Inc. received a loan with the Small Business Administration under the Paycheck Protection Program. The Organization applied for forgiveness of the loan of \$45,100. Criteria to treat the proceeds as a government grant in substance were met and therefore are listed as Payroll protection program grant on the Statement of Activities.

7. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

Special Kneads and Treats, Inc. is supported by contributions with and without restrictions and the sale of baked treats. As part of their liquidity management, they have the policy to structure financial assets to be available as general expenditures and other obligations come due.

The following table reflects the financial assets as of December 31.

		2020		2019
Cash and cash equivalents	\$	83,905	\$	43,284
Accounts receivable		1,597		1,331
Financial assets available to meet cash needs for general expenditures within one year	\$	85,502	\$	44,615

SPECIAL KNEADS AND TREATS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

7. SUBSEQUENT EVENTS

During the year ended December 31, 2020, an outbreak of the Coronavirus (COVID-19) occurred and has extended past the date of these financial statements. The Organization followed Georgia shelter-in-place orders and CDC guidelines that resulted in loss of revenues. Depending on the duration of the COVID-19 crisis and the continued negative impact on economic activity, the ultimate impact on the financial performance of the Organization cannot be reasonably estimated at this time. The Organization has applied for forgiveness of a second loan received after the date of these financials as part of the CARES Act.