

**SPECIAL KNEADS AND TREATS, INC.**

**AUDITED FINANCIAL STATEMENT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**

***TWRP & ASSOCIATES, P.C.***  
**Certified Public Accountants**

**SPECIAL KNEADS AND TREATS, INC.**  
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**TWRP & ASSOCIATES, P.C.**  
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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of Special Kneads and Treats, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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.

The financial statements of Special Kneads and Treats, Inc. as of December 31, 2020, and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated August 4, 2021.

**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 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Kneads and Treats, Inc. as of December 31, 2021, 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.

A handwritten signature in blue ink that reads "TWRP & Associates, P.C." in a cursive, professional style.

TWRP & Associates, P.C.

Braselton, Georgia  
June 28, 2022

**SPECIAL KNEADS AND TREATS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

	<b>2021</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 61,302
Accounts receivable	742
Pledge receivable	15,827
Prepaid expenses	20,205
Inventory	33,533
Total current assets	131,609
Property, plant and equipment, net	675,036
Loan cost, net of amortization cost	-
Total assets	\$ 806,645
 <b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 14,728
Loan payable	-
Mortgage payable - current portion	-
Total current liabilities	14,728
Mortgage payable - due after one year	-
Total Liabilities	14,728
Net assets	
Without restrictions	791,917
Total liabilities and net assets	\$ 806,645

*See Auditor's report and notes to financial statements.*

**SPECIAL KNEADS AND TREATS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>2021</b>
<b>NET ASSETS WITHOUT RESTRICTIONS</b>	
<b>REVENUES AND SUPPORT</b>	
Food sales	\$ 237,567
Contributions	324,691
Special Events	145,490
Payroll protection program grant	48,470
Miscellaneous	9,329
In-kind contributions	34,527
Total revenues and support	800,074
 <b>EXPENSES</b>	
Program Expenses	
Cakes for Kiddos	97,075
Community assistance	55,898
Employment education	166,328
Total program expense	319,301
Support services	157,043
Fundraising	30,272
Total expenses	506,616
 INCREASE (DECREASE) IN NET ASSETS	 293,458
 NET ASSETS - BEGINNING OF YEAR	 498,459
 NET ASSETS - END OF YEAR	 \$ 791,917

*See Auditor's report and notes to financial statements.*

**SPECIAL KNEADS AND TREATS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>						<u>Total</u>
	<u>Cakes for Kiddos</u>	<u>Community Assistance</u>	<u>Employment Education</u>	<u>Total Programs</u>	<u>Support Services</u>	<u>Fundraising</u>	
Salaries and related payroll taxes	\$ 55,237	\$ 28,595	\$ 124,774	\$ 208,606	\$ 66,020	\$ -	\$ 274,626
Advertising	-	-	-	-	500	4,832	5,332
Automobile	958	479	958	2,395	1,597	-	3,992
Computer expenses	1,555	777	1,555	3,887	2,592	-	6,479
Depreciation and amortization	1,577	788	1,577	3,942	15,766	-	19,708
Donated materials	284	6,132	-	6,416	-	21,579	27,995
Entertainment	-	394	-	394	-	-	394
Food costs	16,060	8,030	16,060	40,150	26,767	-	66,917
Insurance	1,418	709	1,418	3,545	2,363	-	5,908
Interest	1,752	876	1,752	4,380	2,920	-	7,300
Janitorial	1,948	974	1,948	4,870	3,247	-	8,117
Meals	-	-	-	-	-	2,200	2,200
Miscellaneous	1,244	624	1,244	3,112	2,072	-	5,184
Office supplies	468	234	468	1,170	779	892	2,841
Postage and printing	212	106	212	530	353	513	1,396
Professional services	2,853	1,427	2,853	7,133	4,756	-	11,889
Repairs and maintenance	1,911	955	1,911	4,777	3,185	-	7,962
Restaurant supplies	3,470	1,735	3,470	8,675	5,784	-	14,459
Service charges	832	416	832	2,080	8,985	-	11,065
Small equipment	637	318	637	1,592	1,592	256	3,440
Telephone	395	197	395	987	658	-	1,645
Utilities	4,264	2,132	4,264	10,660	7,107	-	17,767
	<u>\$ 97,075</u>	<u>\$ 55,898</u>	<u>\$ 166,328</u>	<u>\$ 319,301</u>	<u>\$ 157,043</u>	<u>\$ 30,272</u>	<u>\$ 506,616</u>

*See Auditor's report and notes to financial statements.*

**SPECIAL KNEADS AND TREATS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 293,458
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	19,707
Change in operating assets and liabilities:	
Receivables	(14,970)
Inventory	(8,365)
Prepaid expenses	(20,205)
Accounts payable	2,286
Net cash provided (used) by operating activities	271,911
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Disposal of asset	1,862
Purchase of fixed assets	(26,115)
Net cash provided (used) by investing activities	(24,253)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from loan	-
Principal payments on debt	(270,261)
Net cash provided (used) by financing activities	(270,261)
 <b>INCREASE (DECREASE) IN CASH</b>	(22,603)
Cash - beginning of the year	83,905
Cash - end of the year	\$ 61,302
 <b>SUPPLEMENTAL INFORMATION</b>	
Interest paid on mortgage payable	\$ 7,300
<b>Non-cash Activity</b>	
In-kind contributions	
Outside services	7,044
Goods and supplies	27,483
Total in-kind contributions	\$ 34,527

*See Auditor's report and notes to financial statements.*



SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**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*

The financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Accordingly, revenues are recorded when earned and expenses or assets are recorded at the date of transaction. 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:

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*Income Taxes*

The Organization has been organized as a Georgia nonprofit corporation, recognized by the Internal Revenue Service as exempt from federal income tax under Internal Revenue Service Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2021 and accordingly has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Management has evaluated the Organization's tax positions in accordance with ASC 740-10-25-6, Income Taxes, whereby the financial statement effects of a tax position are to be recorded if the tax position will more likely than not be sustained upon examination. As of December 31, 2021, the Organization had no uncertain tax positions requiring disclosure.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for years prior to 2018.

*Recognition of Revenue*

*Unconditional Contributions*

Contributions are reported when made, which is generally when cash (or notification of a beneficial interest) is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

*Contributions to Acquire Long-term Assets*

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations regarding how long those long-term assets must be maintained, the Organization reports expiration of donor-imposed restrictions when the acquired long-term assets are placed into service.

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Conditional Contributions*

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional. There were no conditional contributions at December 31, 2021.

*Exchange Transactions*

The Organization receives revenue from grantors pursuant to grant contracts. The characteristics of each individual grant are considered to determine if a resource provider is receiving commensurate value in return for the resources transferred. A benefit received by the public is treated as an exchange transaction. Exchange transaction revenue is recorded as the costs are incurred for cost reimbursement grants or as the services are performed for operating and performance grants. Management has determined that all 2021 grants should be treated as contributions.

*Donated Goods and Services*

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at December 31, 2021.

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions as their estimated fair values when the services are rendered

Volunteers contribute significant amounts of time to the Organization's program and supporting activities. During 2021, no value has been assigned to this volunteer time.

SPECIAL KNEADS AND TREATS, INC.  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Major Ministry Partners

During 2021, the Organization had a major donor and a board member that accounted for approximately 42% of monetary contributions.

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 amount the programs and supporting services benefited, as reflected on the statements of functional expenses. The expenses that are allocated include salaries and employees 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. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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 food and grocery products and are stated at the lower of cost or market, on a first-in, first-out basis (FIFO).

The carrying amount of inventory is reduced, as needed, by a reserve for probable inventory losses related to obsolescence or spoilage. The reserve is maintained at a level that, in management's judgement, is adequate to absorb obsolescence and other probable inventory losses. The amount is based upon historical inventory write-down experience, specific known risks, or commitments, and current and anticipated economic conditions. Evaluation of these factors involves subjective estimates that may change. Actual losses are recorded as a charge to the reserve as incurred; additions to the reserve are provided through a charge to client community expense as part of the food distribution program. Management believes that no reserve for probable inventory losses is required; accordingly, no reserve has been provided at December 31, 2021.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Property, Plant and Equipment*

Special Kneads and Treats, Inc. capitalizes all property, plant, 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 and a useful life greater than one year. 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. Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method.

*Impairment*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the assets. There were no indicators of asset impairment during the years ended December 31, 2021.

*Geographic Concentration*

The Organization conducts its operations within Gwinnett County, Georgia, and immediate surrounding areas, and therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

*Subsequent Events*

In preparing these financial statements, Special Kneads and Treats, Inc. has evaluated events and transactions for potential recognition or disclosure through July 1, 2022, the date the financial statements were available to be issued.

**3. CONCENTRATIONS OF CREDIT RISK**

Special Kneads and Treats, Inc. maintains its cash balance in high credit quality institutions. These balances are insured by the FDIC up to \$250,000 per financial institution. On December 31, 2021, Special Kneads and Treats, Inc. did not have balances in excess of the FDIC insured limits.

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**4. PROPERTY, PLANT AND EQUIPMENT**

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

	2021
Furniture and equipment	\$ 58,529
Building	214,000
Building improvements	359,132
Land	161,000
Total property and equipment	792,661
Less accumulated depreciation	(117,625)
Net property, plant and equipment	\$ 675,036
Depreciation Expense	\$ 19,707

**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 matured 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 September 17, 2021, the balance on the note was paid in full as the result of a generous matching grant received at the annual Fundraising Gala.

**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 was due June of 2021. The balance of the loan was paid in full May 12, 2021.

SPECIAL KNEADS AND TREATS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**7. PAYROLL PROTECTION PROGRAM GRANT**

On March 12, 2021, Special Kneads and Treats, Inc. received a loan with the Small Business Administration under the Paycheck Protection Program for \$48,470.00. The Organization applied for forgiveness of the loan and was approved for full forgiveness August 16, 2021. 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.

**8. 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:

	<u>2021</u>
Cash and cash equivalents	\$ 61,302
Accounts receivable	742
Pledge receivable	<u>15,827</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 77,871</u></u>



SPECIAL KNEADS AND TREATS, INC.  
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**9. DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events, through July 1, 2022, the date which the financial statements were available to be issued. The spread of COVID-19 severely impacted many local economies around the globe during 2020 and 2021 and continues to do so in 2022. The Organization has determined that this event is a non-adjusting event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2021 have not been adjusted to reflect any possible impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the operation for future periods.

**10. PLEDGE RECEIVABLE**

Contributions are recognized when the donor makes a pledge (promise) to give to the Organization that is in substance, unconditional. As of December 31, 2021, the Organization had been promised a contribution from an event sponsored by an unrelated organization. The amount recognized at December 31, 2021 was \$15,827 and was received in January 2022.

**11. NET ASSETS**

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The Board has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. At December 31, 2021, all unrestricted net assets are undesignated as to their use.

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of the Organization or by the passage of time. As of December 31, 2021, the Organization had no net assets with donor restrictions.

The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class. The Organization had no permanently restricted net assets as of December 31, 2021.

SPECIAL KNEADS AND TREATS, INC.  
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**12. RELATED PARTIES**

A summary of related party activity for the years ended December 31, 2021 are as follows:

Nature of service:	<u>2021</u>
Contributions from board members	\$ 17,336
Donated goods and services from board members	\$ -

**13. ACCOUNTING PRONOUNCEMENTS ADOPTED**

For the year ended December 31, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, timing, and uncertainty of revenue and cash flow arising from contacts with customers. The financial statements reflect the application of ASC 606 guidance.

No cumulative effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organizations' reported historical revenue.