

EMMA'S TORCH LTD.

**Financial Statements Together with the
Report of Independent Public Accountants**

For the Years Ended December 31, 2023 and 2022

EMMA'S TORCH LTD.

**Financial Statements Together with the
Report of Independent Public Accountants**

DECEMBER 31, 2023 AND 2022

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors
Emma's Torch Ltd.

Opinion

We have audited the financial statements of Emma's Torch Ltd. (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization, as of December 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls 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 our 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 auditors' 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 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 controls. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls 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 the Organization's internal controls. 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 the Organization'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.

Owings Mills, Maryland
July 24, 2024

SBC + Company, LLC

EMMA'S TORCH LTD.**Statements of Financial Position
As of December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,681,778	\$ 3,100,602
Unconditional promises to give, net	1,102,505	1,736,588
Contract and other receivables, net	261,485	30,152
Inventory	28,833	20,158
Prepaid expenses	17,203	12,463
Total current assets	<u>5,091,804</u>	<u>4,899,963</u>
Non-Current Assets:		
Unconditional promises to give, net	-	954,836
Investments	232,841	456,167
Property and equipment, net	206,938	144,429
Security deposits	39,883	28,768
Right of use asset - operating	656,802	808,250
Total non-current assets	<u>1,136,464</u>	<u>2,392,450</u>
Total Assets	<u>\$ 6,228,268</u>	<u>\$ 7,292,413</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 102,201	\$ 79,046
Accrued expenses	88,811	102,288
Deferred revenue	-	30,000
Lease liability - operating	159,701	154,300
Economic Injury Disaster loan	12,617	-
Total current liabilities	<u>363,330</u>	<u>365,634</u>
Non-Current Liabilities:		
Lease liability, net of current portion - operating	520,105	668,061
Economic Injury Disaster loan, net of current portion	449,498	473,561
Total non-current liabilities	<u>969,603</u>	<u>1,141,622</u>
Total Liabilities	<u>1,332,933</u>	<u>1,507,256</u>
Net Assets		
Without donor restrictions	1,534,118	1,373,794
With donor restrictions	3,361,217	4,411,363
Total Net Assets	<u>4,895,335</u>	<u>5,785,157</u>
Total Liabilities and Net Assets	<u>\$ 6,228,268</u>	<u>\$ 7,292,413</u>

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

EMMA'S TORCH LTD.

**Statement of Functional Expenses
For the Year Ended December 31, 2023, with Comparative Totals for 2022**

	2023				2022 Totals
	Program Services	Supporting Services	Management & General	Fundraising and Development	
	Restaurant				
	Operations and Educational Support				
Personnel costs:					
Salaries and wages	\$ 2,106,698	\$ 41,443	\$ 37,255	\$	\$ 1,404,104
Payroll taxes and benefits	352,722	14,359	5,673		206,395
Total personnel costs	2,459,420	55,802	42,928		1,610,499
Occupancy	354,051	158	88		262,008
Professional fees	126,426	75,636	38,786		110,937
Maintenance and repairs	196,859	11	6		118,089
Legal fees	98,157	224	25		164,525
Accounting fees	20,740	67,219	-		97,055
Depreciation	62,061	1,961	1,098		41,252
Office expense and miscellaneous	59,482	627	146		42,065
Travel and meetings	38,683	907	508		13,307
Postage and delivery	34,933	316	3,297		13,362
Digital subscriptions	34,508	808	452		22,620
Insurance	27,319	3,931	483		52,111
Uniforms and student equipment	30,053	-	-		10,415
Interest expense	-	16,848	-		13,249
Advertising and promotion	5,413	132	2,811		7,257
Bad dept expense	4,734	-	-		5,000
Contracted catering services	-	-	-		41,574
Telephone and data	-	-	-		4,435
Total expenses	\$ 3,552,839	\$ 224,580	\$ 90,628	\$	\$ 2,629,760

The accompanying notes are an integral part of this financial statement.

EMMA'S TORCH LTD.

**Statement of Functional Expenses
For the Year Ended December 31, 2022**

	<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising and Development</u>
	<u>Restaurant Operations and Educational Support</u>		<u>Total</u>
Personnel costs:			
Salaries and wages	\$ 1,366,410	\$ 9,366	\$ 28,328
Payroll taxes and benefits	199,620	3,165	3,610
Total personnel costs	<u>1,566,030</u>	<u>12,531</u>	<u>31,938</u>
Occupancy	261,546	115	347
Legal fees	135,477	29,048	-
Maintenance and repairs	118,046	11	32
Professional fees	64,122	36,153	10,662
Accounting fees	15,333	81,722	-
Insurance	47,668	3,449	994
Contracted catering services	41,574	-	-
Depreciation	40,144	275	833
Office expense and miscellaneous	40,695	717	653
Digital subscriptions	20,639	87	1,894
Postage and delivery	13,333	7	22
Travel and meetings	13,093	53	161
Interest expense	-	13,249	-
Uniforms and student equipment	10,407	2	6
Advertising and promotion	7,083	43	131
Bad debt expense	5,000	-	-
Telephone and data	4,410	6	19
Total expenses	<u>\$ 2,404,600</u>	<u>\$ 177,468</u>	<u>\$ 47,692</u>
			<u>\$ 2,629,760</u>

The accompanying notes are an integral part of this financial statement.

EMMA'S TORCH LTD.**Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (889,822)	\$ 2,380,651
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation expense	65,120	41,252
Donated equipment	(121,875)	-
Non-cash lease expense	8,893	14,111
Effects of changes in non-cash operating assets and liabilities:		
Unconditional promises to give, net	1,588,919	(1,321,273)
Contract and other receivables, net	(231,333)	-
Inventory	(8,675)	(1,664)
Prepaid expenses	(4,740)	(1,327)
Security deposits	(11,115)	(9,790)
Accounts payable	23,155	57,403
Accrued expenses	(13,477)	79,111
Accrued interest	(11,446)	8,961
Deferred revenue	(30,000)	1,749
Net cash from Operating Activities	<u>363,604</u>	<u>1,249,184</u>
Cash Flows from Investing Activities:		
Purchase of investments	223,326	(464,600)
Proceeds from sales of investments	-	8,433
Purchase of property and equipment	(5,754)	(107,018)
Net cash from Investing Activities	<u>217,572</u>	<u>(563,185)</u>
Cash Flows from Financing Activities:		
Proceeds from Economic Injury Disaster loan	-	314,600
Net change in cash and cash equivalents	581,176	1,000,599
Cash and cash equivalents, beginning of year	<u>3,100,602</u>	<u>2,100,003</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,681,778</u>	<u>\$ 3,100,602</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	<u>\$ 28,294</u>	<u>\$ 13,249</u>

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

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

1. NATURE OF ACTIVITIES

Emma's Torch Ltd. (the Organization) is a non-profit organization established in 2016 with the mission to alleviate unemployment and poverty affecting individuals (primarily refugees, asylees, and victims of human trafficking) by preparing them for skilled employment in the culinary field. The Organization provides culinary training in order to help these individuals find meaningful careers. Ancillary programs such as English speaking classes and employee interview preparation training are also offered.

The Organization acknowledges the struggle for restaurants to fill the "line cook" position. The Organization collaborates with renowned chefs, industry leaders and restaurant groups to help students find careers after graduation. The Organization also partners with some of the largest refugee resettlement and advocacy organizations in the world, who assist with identifying refugees who would be a good fit for the program.

The Organization is supported primarily through donor contributions and grants, as well as funds earned through its restaurant operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash equivalents consisted of money market funds as of December 31, 2023 and 2022.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unconditional Promises to Give, Net

Unconditional promises to give are valued at management's estimate of the amount that will ultimately be collected and discounted for amounts due in greater than one year. All amounts were expected to be collected within one year as of December 31, 2023. Amounts expected to be collected in greater than one year were discounted using a risk-free rate of interest which was 4.73% as of December 31, 2022. Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to the allowance for credit losses based on its assessment of the current status of individual accounts. As of December 31, 2023 management believed all unconditional promises to give were fully collectible. As such, no reserve was recorded.

Contract and Other Receivables, Net

The Organization receives contracts from various entities and records amounts due as a receivable when earned. Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to the allowance for credit losses based on its assessment of the current status of individual accounts. There was an allowance for credit losses of \$4,734 as of December 31, 2023. There was no allowance for credit losses as of December 31, 2022.

Inventory

Inventory consists of food and beverages which are valued at the lower of cost or net realizable value.

Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2023 and 2022, investments consisted of U.S. treasury notes. U.S. treasury notes are valued at the fair value of the investments based on the price per the active market on which the securities are traded and are rendered Level 1.

Property and Equipment

Property and equipment are stated at cost in the financial statements. Gifts of long-lived assets are recorded at their fair value when donated. Assets greater than \$5,000 are capitalized and then depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 5 years for equipment, leasehold improvements, and management software, and 7 years for furniture and fixtures.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right of Use Asset and Lease Liability - Operating

The Organization records a right of use asset related to the office facilities where the Organization conducts its operations. The Organization's lease was recorded at its present value of the total remaining lease payments. The right of use asset is being amortized over the term of the lease. During the years ended December 31, 2023 and 2022, the amortization expense related to the right of use asset was \$151,448 and \$149,300, respectively and is included in occupancy cost on the statement of functional expenses. As of December 31, 2023 and 2022, the net present value of the right of use asset was \$656,802 and \$808,250, respectively.

The lease liability represents the future commitments for the Organization's office lease. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that the Organization is reasonably certain to exercise. The lease liability is discounted using the Organization's estimated borrowing rate. Costs related to maintenance and other janitorial services are expensed as incurred.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Organization has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions was \$3,361,217 and \$4,411,363 as of December 31, 2023 and 2022, respectively, and were restricted for the purpose of capacity building expansion.

Support and Revenue

The Organization recognizes all unconditional grants and contributions in the period in which the commitment to give is made. Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and an increase in net assets without donor restrictions. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue (continued)

When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Organization accounts for program service arrangements as exchange transactions and recognizes revenue in the period that the Organization has performed the services. Restaurant sales are included in this line item.

Individuals volunteer their time and perform a variety of tasks that assist the Organization. Certain services do not meet the recognition criteria under accounting principles generally accepted in the United States of America. Donations of both goods and services that meet the recognition criteria are presented at their fair market values on the statement of activities as contributed non-financial assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated between the program services and supporting services that benefit from those costs. Supporting services expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Organization. Allocated indirect expenditures include payroll, occupancy expenses, professional fees and legal fees. Those shared costs are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is therefore exempt from federal income taxes under Section 501(a) of the IRC. The Organization is also exempt under N.Y. Tax Law Section 1116: Exempt Organizations. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions as of December 31, 2023 and 2022, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of December 31, 2023, the statute of limitations for fiscal years 2020 through 2023 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Organization files tax returns.

It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Annually, the Organization maintains that income derived from its restaurant operations is a related business activity that is conducted without the intent to make a profit. Profits, if any, are dedicated to the furtherance of the purpose for which the Organization was organized and operated as specified in its articles of incorporation. Accordingly, management has determined that as of December 31, 2023 and 2022, the Organization has no material uncertain tax positions to be accounted for in the financial statements and is not an unrelated trade or business within the meaning of section 513 of the IRC.

Liquidity and Availability of Resources

The Organization's liquidity management plan is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with existing financial assets plus funding provided by anticipated contributions from the general public and revenue from the restaurant.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

Financial assets available within one year of the balance sheet date for general expenses were as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 3,681,778	\$ 3,100,602
Unconditional promises to give, net	1,102,505	2,691,424
Investments	<u>232,841</u>	<u>456,167</u>
Available financial assets	<u>5,017,124</u>	<u>6,248,193</u>
Less: financial assets not available within one year:		
Unconditional promises to give due in greater than one year, net	-	954,836
Net assets with donor restrictions	<u>3,361,217</u>	<u>4,411,363</u>
Total Available Financial Assets	<u><u>\$ 1,655,907</u></u>	<u><u>\$ 881,994</u></u>

Accounting Standards Implemented

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. The objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The Organization implemented the standard for the fiscal year ended December 31, 2023. The adoption of this standard did not have a material effect on the accompanying consolidated financial statements.

Subsequent Events

The Organization evaluated the subsequent events and transactions through July 24, 2024, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than disclosed above, that would affect the information presented in the accompanying financial statements or require additional disclosure.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

3. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Promises without donor restriction	\$ 29,355	\$ 22,500
Promises with donor restriction:		
Capacity building and expansion	<u>1,073,150</u>	<u>2,714,088</u>
Total unconditional promises to give	<u>1,102,505</u>	<u>2,736,588</u>
Less: discount for long-term pledges	-	45,164
Unconditional Promises to Give, Net	<u><u>\$ 1,102,505</u></u>	<u><u>\$ 2,691,424</u></u>
Amounts Due in:		
Less than one year	\$ 1,102,505	\$ 1,736,588
One to five years	-	1,000,000
Total	<u><u>\$ 1,102,505</u></u>	<u><u>\$ 2,736,588</u></u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, consisted of:

	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Equipment	\$ 171,328	\$ 49,453	5 years
Furniture & fixtures	12,000	12,000	7 years
Leasehold improvements	49,260	43,506	5 years
Management software	<u>152,018</u>	<u>152,018</u>	5 years
Total property and equipment	<u>384,606</u>	<u>256,977</u>	
Less: accumulated depreciation	<u>177,668</u>	<u>112,548</u>	
Property and Equipment, Net	<u><u>\$ 206,938</u></u>	<u><u>\$ 144,429</u></u>	

Depreciation expense for the years ended December 31, 2023 and 2022 was \$65,120 and \$41,252, respectively.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

5. LEASE LIABILITY

In March 2020, the Organization entered into an 8-year lease agreement for office space which is set to expire in February 2028. The lease calls for monthly principal payments with annual increases thereafter equal to 3.0 percent of the previous year's payment for the remainder of the lease. As of December 31, 2023 and 2022, the lease payable was \$679,806 and \$822,361, respectively. Total amortization expense under the office lease for the years ended December 31, 2023 and 2022 was \$177,472 and \$150,336, respectively.

As of December 31, 2023, the future minimum payments under the lease liability are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 159,701
2025	165,290
2026	171,075
2027	177,063
2028	29,847
Total	<u>702,976</u>
Less: amounts representing interest	<u>23,170</u>
Total	<u><u>\$ 679,806</u></u>

6. ECONOMIC INJURY DISASTER LOAN

On May 12, 2020, the Organization obtained an Economic Injury Disaster loan (EIDL) in the amount of \$150,000, pursuant to the terms of the CARES Act. In response to COVID-19, nonprofit organizations were eligible to apply for a loan in order to meet financial obligations and operating expenses that could have been met had the disaster not occurred. The loan was authorized by the Small Business Administration (SBA) and the agreement contains certain provisions. In April 2022, the Organization obtained an additional \$314,600 in EIDL funds.

The loan has a thirty-year maturity due on or before May 2050. Interest accrues at the rate of 2.75% per annum on funds advanced. Monthly installment payments of principal and interest began after the initial thirty-month deferment period. Accrued interest of \$11,635 and \$8,961 was included in the loan balance as of December 31, 2023 and 2022, respectively. Interest expense was \$29,518 and \$13,249 for the years ended December 31, 2023 and 2022, respectively.

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

6. ECONOMIC INJURY DISASTER LOAN (continued)

The loan is collateralized by substantially all assets of the Organization as defined in the Uniform Commercial Code and as further detailed in the agreement. Proceeds from the loan may only be used for working capital and normal operating expenses.

As of December 31, 2023, the minimum future debt payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 12,617
2025	12,292
2026	11,959
2027	11,617
2028	11,265
Thereafter	402,365
Total	<u>\$ 462,115</u>

7. CONTRIBUTED NON-FINANCIAL ASSETS

Donations are recorded as income and expense at the time the items are received at their estimated fair value. The value of these contributed non-financial assets meets the criteria for recognition under GAAP. The fair value of the professional fees is determined based on the hours incurred and the market rate for legal services, the value of uniforms, supplies, and food and beverage are valued based on the retail value of the donated good. Donated equipment is valued at the fair value of the equipment at the date of donation and the program space fair value is determined based on the square footage and rate per square foot for similar space.

For the years ended December 31, 2023 and 2022, contributed non-financial assets were recognized at their fair values as follows in the accompanying statements of activities and changes in net assets:

<u>Functional Classification</u>	<u>Natural Classification</u>	<u>2023</u>	<u>2022</u>
Administration	Professional fees	\$ 97,988	\$ 167,475
Program	Uniforms	15,125	-
Program	Equipment	121,875	-
Program	Supplies	28,594	23,402
Program	Food and beverage	16,734	5,404
Program	Space	48,049	48,049
	Total	<u>\$ 328,365</u>	<u>\$ 244,330</u>

EMMA'S TORCH LTD.

Notes to the Financial Statements December 31, 2023 and 2022

8. COMMITMENTS

During the year ended December 31, 2018, the Organization assumed a lease for restaurant space under a purchase agreement. The lease was month to month beginning March 2023. Payments made under this lease amounted to \$67,200 and \$50,281 for the years ended December 31, 2023 and 2022, respectively.

During the year ended December 31, 2018, the Organization entered into an agreement with the Brooklyn Public Library (BPL) to provide food services at its Central Library for BPL staff, patrons, and other members of the public. No rental payments are required under the agreement and utilities, storage, equipment and other maintenance costs will be paid by BPL. All costs to operate the cafe, including food, beverages, utensils and supplies, are the responsibility of the Organization. The Organization is entitled to all proceeds from the operations of the cafe but must segregate any profits in a segregated account to act as a reserve fund for the cafe. For the years ended December 31, 2023 and 2022, the donated space was valued at \$48,049, based on the square footage and rate per square foot for similar space.