

**EMMA'S TORCH LTD.**

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

**For the Years Ended December 31, 2024 and 2023**

**EMMA'S TORCH LTD.**

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

**DECEMBER 31, 2024 AND 2023**

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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, 2024 and 2023, and the related statements of activities and changes in net assets, 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, 2024 and 2023, 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 the Organization's ability to continue as a going concern for 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 (GAAS) 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, 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 controls related matters that we identified during the audit.

Owings Mills, Maryland  
July 31, 2025



**EMMA'S TORCH LTD.****Statements of Financial Position  
As of December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,172,214	\$ 3,681,778
Unconditional promises to give, net	36,300	1,102,505
Contract and other receivables, net	887	261,485
Inventory	18,668	28,833
Prepaid expenses	26,939	17,203
Right of use asset - operating	156,096	153,712
Total current assets	<u>4,411,104</u>	<u>5,245,516</u>
Non-current assets:		
Investments	-	232,841
Property and equipment, net	156,775	206,938
Security deposits	39,883	39,883
Right of use asset - operating	346,995	503,090
Total non-current assets	<u>543,653</u>	<u>982,752</u>
<b>Total Assets</b>	<u>\$ 4,954,757</u>	<u>\$ 6,228,268</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 82,797	\$ 102,201
Accrued expenses	35,916	88,811
Deferred revenue	93,060	-
Lease liability - operating	165,290	159,701
Economic Injury Disaster loan	12,015	12,617
Total current liabilities	<u>389,078</u>	<u>363,330</u>
Non-current liabilities:		
Lease liability - operating, net of current portion	364,297	520,105
Economic Injury Disaster loan, net of current portion	438,442	449,498
Total non-current liabilities	<u>802,739</u>	<u>969,603</u>
<b>Total Liabilities</b>	<u>1,191,817</u>	<u>1,332,933</u>
<b>Net Assets</b>		
Without donor restrictions	3,587,875	1,534,118
With donor restrictions	175,065	3,361,217
<b>Total Net Assets</b>	<u>3,762,940</u>	<u>4,895,335</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,954,757</u>	<u>\$ 6,228,268</u>

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

**EMMA'S TORCH LTD.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Contributions	\$ 2,236,509	\$ 180,000	\$ 2,416,509	\$ 1,283,806	\$ 265,868	\$ 1,549,674
Program and service revenue, net of cost of goods sold of \$547,456 and \$381,167, respectively	682,193	-	682,193	593,172	-	593,172
Government grants	5,000	-	5,000	245,334	-	245,334
Contributed non-financial assets	276,929	-	276,929	328,365	-	328,365
Net assets released from restrictions	3,366,152	(3,366,152)	-	1,316,014	(1,316,014)	-
<b>Total Support and Revenue</b>	<b>6,566,783</b>	<b>(3,186,152)</b>	<b>3,380,631</b>	<b>3,766,691</b>	<b>(1,050,146)</b>	<b>2,716,545</b>
<b>Expenses:</b>						
Program services:						
Restaurant operations and educational support	4,265,613	-	4,265,613	3,552,839	-	3,552,839
Supporting services:						
Management and general	162,120	-	162,120	224,580	-	224,580
Fundraising	233,752	-	233,752	90,628	-	90,628
<b>Total Supporting Services</b>	<b>395,872</b>	<b>-</b>	<b>395,872</b>	<b>315,208</b>	<b>-</b>	<b>315,208</b>
<b>Total Expenses</b>	<b>4,661,485</b>	<b>-</b>	<b>4,661,485</b>	<b>3,868,047</b>	<b>-</b>	<b>3,868,047</b>
Change in net assets before non-operating income	1,905,298	(3,186,152)	(1,280,854)	(101,356)	(1,050,146)	(1,151,502)
<b>Non-Operating Income:</b>						
Employee retention tax credits	-	-	-	194,285	-	194,285
Investment income, net	147,633	-	147,633	56,678	-	56,678
Other income	826	-	826	10,717	-	10,717
<b>Total Non-Operating Income</b>	<b>148,459</b>	<b>-</b>	<b>148,459</b>	<b>261,680</b>	<b>-</b>	<b>261,680</b>
Changes in net assets	2,053,757	(3,186,152)	(1,132,395)	160,324	(1,050,146)	(889,822)
Net assets, beginning of year	1,534,118	3,361,217	4,895,335	1,373,794	4,411,363	5,785,157
<b>Net Assets, End of Year</b>	<b>\$ 3,587,875</b>	<b>\$ 175,065</b>	<b>\$ 3,762,940</b>	<b>\$ 1,534,118</b>	<b>\$ 3,361,217</b>	<b>\$ 4,895,335</b>

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, 2024, with Comparative Totals for 2023**

	2024				2023 Totals
	Program Services	Supporting Services		Total	
	Restaurant Operations and Educational Support	Management & General	Fundraising & Development		
Personnel costs:					
Salaries and wages	\$ 2,650,414	\$ 83,703	\$ 53,408	\$ 2,787,525	\$ 2,185,396
Payroll taxes and benefits	469,220	17,539	19,755	506,514	372,754
Total personnel costs	<u>3,119,634</u>	<u>101,242</u>	<u>73,163</u>	<u>3,294,039</u>	<u>2,558,150</u>
Occupancy	374,306	106	37	374,449	354,297
Professional fees	140,233	46,104	65,189	251,526	240,848
Maintenance and repairs	105,152	5	2	105,159	196,876
Legal fees	205,597	-	12,344	217,941	98,406
Accounting fees	23,909	1,277	77,342	102,528	87,959
Depreciation	46,759	2,531	873	50,163	65,120
Office expense and miscellaneous	63,507	4,696	188	68,391	60,255
Travel and meetings	42,446	1,662	577	44,685	40,098
Postage and delivery	38,892	510	135	39,537	38,546
Digital subscriptions	26,903	734	257	27,894	35,768
Insurance	46,122	2,463	3,459	52,044	31,733
Uniforms and student equipment	23,922	-	-	23,922	30,053
Interest expense	9,863	784	184	10,831	16,848
Advertising and promotion	3,102	6	2	3,110	8,356
Bad debt expense (recovery)	(4,734)	-	-	(4,734)	4,734
<b>Total Expenses</b>	<u>\$ 4,265,613</u>	<u>\$ 162,120</u>	<u>\$ 233,752</u>	<u>\$ 4,661,485</u>	<u>\$ 3,868,047</u>

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, 2023**

	<u>Program Services</u>	<u>Supporting Services</u>		
	<b>Restaurant Operations and Educational Support</b>	<b>Management &amp; General</b>	<b>Fundraising &amp; Development</b>	<b>Total</b>
Personnel costs:				
Salaries and wages	\$ 2,106,698	\$ 41,443	\$ 37,255	\$ 2,185,396
Payroll taxes and benefits	352,722	14,359	5,673	372,754
Total personnel costs	<u>2,459,420</u>	<u>55,802</u>	<u>42,928</u>	<u>2,558,150</u>
Occupancy	354,051	158	88	354,297
Professional fees	126,426	75,636	38,786	240,848
Maintenance and repairs	196,859	11	6	196,876
Legal fees	98,157	224	25	98,406
Accounting fees	20,740	67,219	-	87,959
Depreciation	62,061	1,961	1,098	65,120
Office expense and miscellaneous	59,482	627	146	60,255
Travel and meetings	38,683	907	508	40,098
Postage and delivery	34,933	316	3,297	38,546
Digital subscriptions	34,508	808	452	35,768
Insurance	27,319	3,931	483	31,733
Uniforms and student equipment	30,053	-	-	30,053
Interest expense	-	16,848	-	16,848
Advertising and promotion	5,413	132	2,811	8,356
Bad debt expense	4,734	-	-	4,734
<b>Total Expenses</b>	<u><u>\$ 3,552,839</u></u>	<u><u>\$ 224,580</u></u>	<u><u>\$ 90,628</u></u>	<u><u>\$ 3,868,047</u></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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (1,132,395)	\$ (889,822)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation expense	50,163	65,120
Donated equipment	-	(121,875)
Non-cash lease expense	3,492	8,893
Effects of changes in non-cash operating assets and liabilities:		
Unconditional promises to give, net	1,066,205	1,588,919
Contract and other receivables, net	260,598	(231,333)
Inventory	10,165	(8,675)
Prepaid expenses	(9,736)	(4,740)
Security deposits	-	(11,115)
Accounts payable	(19,404)	23,155
Accrued expenses	(52,895)	(13,477)
Accrued interest	(11,658)	(11,446)
Deferred revenue	93,060	(30,000)
<b>Net Cash from Operating Activities</b>	<u>257,595</u>	<u>363,604</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	232,841	223,326
Purchase of property and equipment	-	(5,754)
<b>Net Cash from Investing Activities</b>	<u>232,841</u>	<u>217,572</u>
Net change in cash and cash equivalents	490,436	581,176
Cash and cash equivalents, beginning of year	3,681,778	3,100,602
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,172,214</u>	<u>\$ 3,681,778</u>
<b>Supplemental Cash Flow Disclosure</b>		
Cash paid for interest	<u>\$ 12,561</u>	<u>\$ 28,294</u>

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

## **EMMA'S TORCH LTD.**

### **Notes to the Financial Statements December 31, 2024 and 2023**

#### **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, 2024 and 2023.

## **EMMA'S TORCH LTD.**

### **Notes to the Financial Statements December 31, 2024 and 2023**

#### **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, 2024. 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, 2024 and 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 receivables 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 no allowance for credit losses as of December 31, 2024 or 2023.

##### **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, 2024 and 2023**

#### **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, 2024, investments consisted of U.S. Treasury notes. U.S. Treasury notes were valued at the fair value of the investments based on the price per the active market on which the securities were traded and were 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.

##### **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. As of December 31, 2024 and 2023, the net present value of the right of use asset was \$503,091 and \$656,802, respectively.

## **EMMA'S TORCH LTD.**

### **Notes to the Financial Statements December 31, 2024 and 2023**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Right of Use Asset and Lease Liability – Operating (continued)**

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 \$175,065 and \$3,361,217, as of December 31, 2024 and 2023, 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. Contributions received with conditions that are not met in the same period are recorded as deferred revenue until contributions are met.

When a donor restriction expires, that is, when some stipulated time restriction ends or the 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.

## **EMMA'S TORCH LTD.**

### **Notes to the Financial Statements December 31, 2024 and 2023**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Support and Revenue (continued)**

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 statements 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.

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, 2024 and 2023, 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, 2024, the statute of limitations for fiscal years 2021 through 2024 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.

## EMMA'S TORCH LTD.

### Notes to the Financial Statements December 31, 2024 and 2023

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Income Taxes (continued)

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, 2024 and 2023, 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.

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

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 4,172,214	\$ 3,681,778
Unconditional promises to give, net	36,300	1,102,505
Investments	-	232,841
Available financial assets	<u>4,208,514</u>	<u>5,017,124</u>
Less: financial assets not available within one year:		
Net assets with donor restrictions	<u>175,065</u>	<u>3,361,217</u>
<b>Total Available Financial Assets</b>	<u><b>\$ 4,033,449</b></u>	<u><b>\$ 1,655,907</b></u>

##### Subsequent Events

The Organization evaluated the subsequent events and transactions through July 31, 2025, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred 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, 2024 and 2023

#### 3. UNCONDITIONAL PROMISES TO GIVE, NET

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

	<u>2024</u>	<u>2023</u>
Promises without donor restriction	\$ 30,000	\$ 29,355
Promises with donor restriction:		
Time restricted- Compass Group Foundation	6,300	-
Capacity building and expansion	-	1,073,150
<b>Unconditional Promises to Give, Net</b>	<u>\$ 36,300</u>	<u>\$ 1,102,505</u>
Amounts due in:		
Less than one year	\$ 36,300	\$ 1,102,505
<b>Total</b>	<u>\$ 36,300</u>	<u>\$ 1,102,505</u>

#### 4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, consisted of:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 171,328	\$ 171,328
Furniture & fixtures	12,000	12,000
Leasehold improvements	49,260	49,260
Management software	152,018	152,018
Total property and equipment	<u>384,606</u>	384,606
Less: accumulated depreciation	<u>227,831</u>	177,668
<b>Property and Equipment, Net</b>	<u>\$ 156,775</u>	<u>\$ 206,938</u>

Depreciation expense for the years ended December 31, 2024 and 2023, was \$50,163 and \$65,120, respectively.

#### 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. The Organization straight lined the rent payments over the term of the lease. The deferred rent is offset to the ROU asset. As of December 31, 2024 and 2023, the lease payable was \$529,587 and \$679,806, respectively. Total amortization expense under the office lease for the years ended December 31, 2024 and 2023, was \$153,711 and \$177,472, respectively, and is included in occupancy cost on the statements of functional expenses.

## EMMA'S TORCH LTD.

### Notes to the Financial Statements December 31, 2024 and 2023

#### 5. LEASE LIABILITY (continued)

As of December 31, 2024, the future minimum payments under the lease liability are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2025	\$ 165,290
2026	171,075
2027	177,063
2028	29,847
Total	543,275
Less: amounts representing interest	13,688
<b>Total</b>	<b>\$ 529,587</b>

#### 6. ECONOMIC INJURY DISASTER LOAN

On May 12, 2020, the Organization entered into a loan agreement with the Small Business Administration (SBA) for \$150,000, and on April 7, 2022, the Organization increased the loan by \$314,600 for a total loan amount of \$464,600 at a fixed interest rate of 2.75% per annum. The loan has a 30-year term, with repayment deferred for the first 30 months from the original disbursement date. During the deferment period, interest accrues and is capitalized. Following the deferment, the loan entered a 12-month interest-only period followed where current interest is paid with the remaining portion of the payment paying down the accrued interest. This phase was completed in 2023.

The Organization is currently in the loan repayment period where monthly principal and interest payments are paid as due over the remaining term. There are no prepayment penalties. As of December 31, 2024, the outstanding loan balance was \$450,457 with no accrued interest. Interest expense was \$10,831 and \$16,848, for the years ended December 31, 2024 and 2023, respectively.

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.

As of December 31, 2024, the minimum future debt payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2025	\$ 12,015
2026	12,349
2027	12,693
2028	13,047
2029	13,410
Thereafter	386,943
<b>Total</b>	<b>\$ 450,457</b>

## EMMA'S TORCH LTD.

### Notes to the Financial Statements December 31, 2024 and 2023

#### 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 beverages are valued based on the retail value of the donated goods. 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, 2024 and 2023, 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>2024</u>	<u>2023</u>
Administration	Professional fees	\$ 215,564	\$ 97,988
Program	Uniforms	-	15,125
Program	Equipment	-	121,875
Program	Supplies	7,499	28,594
Program	Food and beverage	8,660	16,734
Program	Space	45,206	48,049
	<b>Total</b>	<b>\$ 276,929</b>	<b>\$ 328,365</b>

#### 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 \$69,216 and \$67,200, for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the donated space was valued at \$45,206 and \$48,049, respectively, based on the square footage and rate per square foot for similar space.