

CHEF LOU'S ARMY, INC.
FINANCIAL STATEMENTS

December 31, 2021

(With Independent Auditor's Report Thereon)

CHEF LOU'S ARMY, INC.

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Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chef Lou's Army, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chef Lou's Army, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chef Lou's Army, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of Chef Lou's Army, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chef Lou's Army, Inc.'s internal control over financial reporting and compliance.



Toms River, New Jersey
March 24, 2023

CHEF LOU'S ARMY, INC.
Statement of Financial Position
December 31, 2021

Assets	
Cash and cash equivalents	\$ 26,114
Grants receivable	<u>172,600</u>
 Total assets	 <u><u>\$ 198,714</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 172,680
Accrued expenses	9,000
Deferred revenue	<u>1,748</u>
 Total liabilities	 <u>183,428</u>
Net Assets	
Without donor restrictions	<u>15,286</u>
 Total net assets	 <u>15,286</u>
 Total liabilities and net assets	 <u><u>\$ 198,714</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>
Revenue, Support and Gains	
Governmental grants and contracts	\$ 947,910
Contributions	30,731
Special events	
Gross special events	85,383
Less: costs of direct benefits to donors	<u>70,080</u>
Net special events revenue	15,303
 Total revenue, support and gains	 <u>993,944</u>
Expenses and losses	
Program services expenses	
Sustain and Serve Program	961,286
Total program expenses	<u>961,286</u>
Supporting services expenses	
Management and general	17,169
Fundraising and development	<u>5,423</u>
Total supporting expenses	<u>22,592</u>
 Total expenses and losses	 <u>983,878</u>
 Change in Net Assets	 10,066
 Net Assets, Beginning of Year	 <u>5,220</u>
 Net Assets, End of Year	 <u><u>\$ 15,286</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Services</u>		Fundraising and Development	<u>Total</u>
	<u>Sustain and Serve NJ</u>	<u>Management and General</u>		
Grants and other assistance	\$ 11,000	\$ -	\$ -	\$ 11,000
Contractors and professional fees	948,478	9,890	-	958,368
Advertising and promotion	1,808	-	5,423	7,231
Office expenses	-	1,536	-	1,536
Insurance	-	1,763	-	1,763
Bank fees and service charges	-	73	-	73
Dues and subscriptions	-	3,250	-	3,250
Licenses and registrations	-	657	-	657
 Total expenses by function	 <u>\$ 961,286</u>	 <u>\$ 17,169</u>	 <u>\$ 5,423</u>	 <u>\$ 983,878</u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from Operating Activities	
Change in net assets	\$ 10,066
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Increase (decrease) in operating assets	
Accounts receivable	(170,400)
Prepaid expense	2,000
(Increase) decrease in operating liabilities	
Accounts payable	172,680
Accrued expenses	9,000
Deferred revenue	<u>(1,853)</u>
Net cash provided by operating activities	<u>21,493</u>
Net increase in cash and cash equivalents	21,493
Cash and cash equivalents, beginning of year	<u>4,621</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,114</u></u>

See Notes to the Financial Statements

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2021

Note 1 – Principal Activity and Significant Accounting Policies

Organization

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

Cash, Cash Equivalents, and Restricted Cash

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

Grant Receivables and Deferred Revenue

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

Contributions Receivable

Chef Lou's Army, Inc. records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2021, the allowance was \$0.

Property and Equipment

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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2021.

Investments

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

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2021

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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

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

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

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$7,231 during the year ended December 31, 2021.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2021

Functional Allocation of Expenses

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

Income Taxes

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

Estimates

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

Financial Instruments and Credit Risk

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

Recent Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Standard Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and a liability for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing and uncertainty of cashflows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for fiscal years beginning after December 31, 2021 with early adoption permitted. The Organization is currently evaluating the effect the updated standard however they do not believe it will have a material effect on its financial statements.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2021

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$105,614
Grants receivable	172,600
	<u>\$198,714</u>

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

Note 3 – Fair Value Measurements and Disclosures

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

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

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

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

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

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

As of December 31, 2021 all financial assets were considered Level 1.

CHEF LOU'S ARMY, INC.
Notes to the Financial Statements
December 31, 2021

Note 3 – Concentration of Revenues

Chef Lou's Army, Inc. receives approximately 95% of its revenue under contracts with state agencies. In the event the funding is terminated or significantly reduced, the Organization's ability to continue as a going concern would be greatly diminished.

Note 4 – Subsequent Events

Subsequent events were evaluated through March 24, 2023, which is the date the financial statements were available to be issued.



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chef Lou's Army, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chef Lou's Army, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

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

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

Purpose of This Report

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

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

Toms River, New Jersey
March 24, 2023



Matthew K. Varley, CPA LLC

Certified public accountant and consultant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited Chef Lou's Army, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Chef Lou's Army, Inc.'s major federal programs for the year ended December 31, 2021. Chef Lou's Army, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Chef Lou's Army, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended December 31, 2021.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chef Lou's Army, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Chef Lou's Army, Inc.'s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Coronavirus Relief Fund

As described in Finding 2021-002 in the accompanying schedule of findings and questioned costs, Chef Lou's Army, Inc. did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
2021-002	21.019	Coronavirus Relief Fund	Reporting

Compliance with such requirements is necessary, in our opinion, for Chef Lou's Army, Inc. to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chef Lou's Army, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chef Lou's Army, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chef Lou's Army, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Chef Lou's Army, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chef Lou's Army, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Chef Lou's Army, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Toms River, NJ
March 24, 2023

CHEF LOU'S ARMY, INC.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor / Pass-through / Program Title	Federal C.F.D.A Number	Pass-through Identifying Number	Award / Ceiling	Grant Period	Expenditures
U.S. Department of Treasury Pass-through the N.J. Economic Development Authority Coronavirus Relief Fund					
Sustain and Serve NJ Grant Program	21.029	PROD-00288843	\$ 700,000	08/29/21 - 01/31/22	\$ 697,910
Sustain and Serve NJ Grant Program	21.029	PROD-00258126	250,000	03/24/21 - 05/31/21	<u>250,000</u>
Total U.S. Department of Treasury					<u><u>\$ 947,910</u></u>

See notes to the schedule of expenditures of federal awards

CHEF LOU'S ARMY, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards present the activity of all federal awards of Chef Lou's Army, Inc. The Organization is defined in Note 1 to the basic financial statements. The information in this schedule is present in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal awards received directly from federal and state agencies, as well as federal awards passed through other governmental agencies is included on the schedule of expenditures of federal awards.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

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

Note 4 – Relationship to Federal and State Financial Reports

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

Note 5 – Federal and State Loans Outstanding

Chef Lou's Army, Inc. had no federal or state loan balances outstanding at December 31, 2021.

CHEF LOU'S ARMY, INC.
 Schedule of Findings and Questioned Costs
 December 31, 2021

Section I - Summary of Auditors Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? ___ yes x no
- 2) Significant weakness(es) identified? x yes ___ none reported
- Noncompliance material to the financial statements noted? ___ yes x no

Federal Awards

Dollar threshold used to determine Type A programs

\$750,000

Auditee qualified as low-risk auditee?

___ yes x no

Internal control over major programs:

- 1) Material weakness(es) identified? ___ yes x no
- 2) Significant weakness(es) identified? ___ yes x none reported

Type of auditor's report issued on compliance major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of the Uniform Guidance?

 x yes ___ no

Identification of major programs

Name of Federal Program or Cluster

CFDA
Number

Coronavirus Relief Fund

21.019

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2021-001 - Recording of Checks on a Timely Basis

Condition:	A check was issued during the year however it was not entered in the accounting records until subsequent to the year end when it cleared the bank and was recorded with the clearing date rather than the issuance date.
Cause:	Inadvertent error in the recording of the check with regard to check date
Effect:	Expenditures and liabilities were understated.
Recommendation:	The timely recording of checks is an important control over cash disbursements; therefore, we recommend that accounting personnel update the check register daily to ensure timely and proper recording of cash disbursements.
Management Response:	The Organization will record all transactions timely and will properly date transactions.

Section III - Single Audit Section

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including question costs, related to the audit of a major federal or state programs, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State financial assistance* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (N.J. OMB Circular 15-08).

2021-002 - Recording of Checks on a Timely Basis

Criteria:	Audit requirements as required by the Uniform Guidance and N.J. OMB Circular 15-08 stipulate that audit reports must be submitted to the cognizant agency within the earlier of thirty days after the receipt of the auditor's report or nine months after the end of the audit period.
Condition:	The audit was not able to be completed or submitted within the required reporting period.
Cause:	Due to the passing of a member of management, the records were not prepared or submitted for audit within a period reasonable for timely submission.
Recommendation:	We recommend controls and procedures be put into place to ensure reporting periods are adhered to in the future.
Management Response:	Management will implement procedures to provide accurate and timely financial report and completion of the audit.

CHEF LOU'S ARMY, INC.
Summary Schedule of Prior Year Audit Findings
December 31, 2021

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

Financial Statement Findings

N/A – No prior year audit

Federal Awards

N/A – No prior year Federal Single Audit