



Nourishing the Heart. One Meal at a Time.

**Audited Financial Statements
December 31, 2013**

Presented By

***Douglas R. Ashbrook, CPA
San Diego, CA***

**MAMA'S KITCHEN
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December 31, 2013**

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Douglas R. Ashbrook, CPA

Auditing, Taxation, Consulting

Member: American Institute of Certified Public Accountants and California Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Audit Committee of
Mama's Kitchen

I have audited the accompanying financial statements of Mama's Kitchen (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Mama's Kitchen
Independent Auditor's Report

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama's Kitchen as of December 31, 2013, 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.

Report on Summarized Comparative Information

I have previously audited Mama's Kitchen 2012 financial statements, and my report dated June 18, 2013, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 28, 2014

Douglas R. Ashbrook, CPA

MAMA'S KITCHEN
Statement of Financial Position
December 31, 2013
(With Comparative Totals for December 31, 2012)

ASSETS

	2013	2012
Cash and cash equivalents	\$ 277,069	\$ 388,976
Investments	912,991	849,093
Investments - pledged	396,771	450,760
Prepaid expenses and deposits	27,031	22,065
Grants, contracts, & misc. receivables	96,926	54,801
Inventory	22,791	13,958
Pledges receivable - net	186,043	268,407
Office & computer equipment	165,461	168,421
Kitchen equipment	239,625	245,044
Vehicles	23,858	23,858
Land	176,700	176,700
Building & building improvements	2,205,920	2,189,587
Less: accumulated depreciation	(460,708)	(331,135)
Intangible assets	37,291	37,291
Less: accumulated amortization	(25,595)	(22,242)
Total Assets	<u>\$ 4,282,174</u>	<u>\$ 4,535,584</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 65,100	\$ 86,016
Line of credit	396,771	450,760
Accrued payroll liabilities	39,041	27,898
Deferred revenue	16,000	30,000
Accrued vacation payable	56,325	46,833
Mortgage payable	1,038,981	1,322,986
Total Liabilities	<u>1,612,218</u>	<u>1,964,493</u>

NET ASSETS

Unrestricted	2,634,129	2,536,063
Permanently restricted	<u>35,827</u>	<u>35,028</u>
Total Net Assets	<u>2,669,956</u>	<u>2,571,091</u>
Total Liabilities and Net Assets	<u>\$ 4,282,174</u>	<u>\$ 4,535,584</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Activities
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>					
County of San Diego-Ryan White	\$ 274,536	\$ -	\$ -	\$ 274,536	\$ 258,108
County of San Diego-HOPWA	154,521	-	-	154,521	180,129
CDBG City Grant	46,090	-	-	46,090	53,140
Contributions	1,518,073	-	799	1,518,872	1,618,825
Capital projects, net of discount		520,874	-	520,874	387,386
Donations in-kind	238,537	-	-	238,537	374,826
Donated services	354,963	-	-	354,963	332,529
Special events, net of direct expenses	13,161	-	-	13,161	8,938
Investment income	40,375	-	-	40,375	46,749
Net realized and unrealized gain on investments	104,569	-	-	104,569	90,456
Released from restriction by payment	520,874	(520,874)	-	-	-
 Total Revenue, Gains, and Other Support	 <u>3,265,699</u>	 <u>0</u>	 <u>799</u>	 <u>3,266,498</u>	 <u>3,351,086</u>
<u>EXPENSES:</u>					
Program services	2,358,286	-	-	2,358,286	2,318,700
Management and general	132,763	-	-	132,763	109,225
Fundraising	676,584	-	-	676,584	874,346
Total Expenses	<u>3,167,633</u>	<u>0</u>	<u>0</u>	<u>3,167,633</u>	<u>3,302,271</u>
 Change in Net Assets	 98,066	 -	 799	 98,865	 48,815
 Net Assets, Beginning of Year	 <u>2,536,063</u>	 <u>-</u>	 <u>35,028</u>	 <u>2,571,091</u>	 <u>2,522,276</u>
 Net Assets, End of Year	 <u>\$ 2,634,129</u>	 <u>\$ 0</u>	 <u>\$ 35,827</u>	 <u>\$ 2,669,956</u>	 <u>\$ 2,571,091</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (Decrease) in Net Assets	\$ 98,865	\$ 48,815
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Bad debt expense	12,448	22,400
Depreciation and amortization	146,677	144,689
(Gain)/loss on investments	(104,569)	(90,456)
<u>(Increase)/Decrease in:</u>		
Grants, contracts, and misc. receivables	(42,125)	25,048
Prepaid expenses and deposits	(4,966)	(1,684)
Pledges receivable - net	82,364	(42,910)
Inventory	(8,833)	3,148
<u>Increase/(Decrease) in:</u>		
Accrued vacation payable	9,492	(9,918)
Accounts payable	(20,916)	79,093
Deferred revenue	(14,000)	10,000
Accrued payroll liabilities	11,144	(1,168)
Net cash provided/(used) by operating activities	165,581	187,057
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(370,289)	(491,843)
Proceeds from sale of investments	447,128	474,554
Purchase of property and equipment	(16,333)	(29,604)
Net cash provided/(used) by investing activities	60,506	(46,893)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net payments of long-term borrowings	(284,005)	(21,014)
Net payments of line of credit advances	(53,989)	(50,114)
Net cash provided/(used) in financing activities	(337,994)	(71,128)
Net increase(decrease) in cash and cash equivalents	(111,907)	69,036
Cash and cash equivalents at beginning of year	388,976	319,940
Cash and cash equivalents at end of year	\$ 277,069	\$ 388,976
 <u>Supplemental Disclosures:</u>		
Cash payments for interest	\$ 75,221	\$ 84,556

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Functional Expenses
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	<u>SUPPORTING SERVICES</u>			<u>2013</u> Total	<u>2012</u> Total
	<u>Program</u> Services	<u>Management</u> & General	<u>Fund-</u> Raising		
Salaries and wages	\$ 332,425	\$ 61,863	\$ 228,355	\$ 622,643	\$ 591,712
Payroll taxes	27,906	5,088	18,435	51,429	50,459
Employee benefits	35,170	6,790	20,530	62,490	53,026
TOTAL SALARY AND RELATED EXPENSE	395,501	73,741	267,320	736,562	695,197
Food and packaging costs (net)	1,203,578	-	-	1,203,578	1,256,141
Food costs - in-kind	48,022	-	7,267	55,289	33,207
Advertising, printing & publications	80	-	39,579	39,659	43,500
Bad Debt	-	-	12,448	12,448	22,400
Bank/Credit Card Fees	-	-	21,251	21,251	17,838
Client expense	10,925	-	-	10,925	10,121
Depreciation and amortization	112,072	12,765	21,840	146,677	144,689
Direct mail	-	-	57,279	57,279	65,685
Donor cultivation	-	-	12,550	12,550	5,275
Donated services, facilities and in-kind	355,963	513	176,363	532,839	668,953
Information technology	4,609	1,368	8,059	14,036	16,866
Insurance	20,969	3,040	-	24,009	22,894
Interest expense	61,105	7,058	7,058	75,221	84,556
Investment advisory fees	17,789	-	-	17,789	16,930
Legal & professional	27,274	24,904	34,420	86,598	86,202
Memberships,subscriptions,prof. development	455	1,269	1,562	3,286	4,369
Occupancy	71,934	3,574	3,504	79,012	76,705
Office expense	10,661	4,285	5,052	19,998	19,066
Vehicle expense	12,631	-	-	12,631	3,433
Volunteer expense	3,672	-	-	3,672	6,648
Miscellaneous	1,046	246	1,032	2,324	1,596
TOTAL EXPENSES	\$ 2,358,286	\$ 132,763	\$ 676,584	\$ 3,167,633	\$ 3,302,271

See accompanying notes and auditor's report

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Mama's Kitchen (the Organization) is a not-for-profit organization incorporated on September 28, 1990 in California and providing services in San Diego County. It is governed by a Board of Directors who volunteer their services to the Organization. Program services are provided at no cost and consist of home-delivered meals for persons affected by AIDS or cancer and pantry services for persons affected by HIV/AIDS. The pantry service, called Mama's Pantry, started in February 2004. The Organization's programs are funded by the Ryan White HIV/AIDS Extension Treatment Act and the Housing Opportunities for Persons with AIDS (HOPWA) Program (both federally funded programs administered by the County of San Diego), a Community Development Block Grant (CDBG) administered by the City of San Diego, grants from private and corporate foundations, and local community support. During the year, the Organization delivered 353,052 meals and had 5,914 visits to Mama's Pantry. The Monday and Wednesday deliveries each consist of six meals, including one hot dinner and one frozen dinner. The Friday delivery consists of nine meals, including one hot dinner and two frozen dinners.

Financial Statement Presentation and Basis of Accounting

The financial statements are prepared in accordance with the AICPA Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958 *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Contributions and Promises to Give

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give, in substance and unconditionally. It is the Organization's policy to treat donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted. Donations that are not expended in the current year are classified as temporarily restricted.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies (cont.)

Property, Equipment and Intangible Assets

Property and equipment acquisitions of \$1,000 or more are capitalized and recorded at cost when purchased. The fair market value of donated fixed assets is similarly capitalized. Depreciation and amortization are provided over the estimated useful life of each class of assets (3 to 30 years) and is computed using the straight-line method. Depreciation and amortization expense for the year ended December 31, 2013 was \$146,677.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Compensated Absences

Employees of Mama's Kitchen are entitled to compensated absences depending on the length of service and other factors. Such absences consist of accrued vacation and sick time; the unused accrued vacation is payable upon termination or retirement. As of December 31, 2013, accrued vacation payable was \$56,325.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Mama's Kitchen considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

Donated Services

The criteria for recognizing donated services in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, are if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received approximately 33,787 donated hours and 127,470 miles driven from 821 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,384 men, women, and children at high risk of hunger and malnutrition. The value of donated hours is \$889,950⁽¹⁾ and the value of donated miles is \$72,021⁽²⁾. However, not all of these services met the criteria established by FASB ASC 958 and therefore are not recorded in the financial statements. The donated services that can be recorded in the financial statements, specifically for meal delivery, are discussed in Note 15.

(1) Calculated using the 2013 Volunteer Hour Value for California as published by The Independent Sector

(2) Calculated using the IRS Standard Mileage Rate for 2013

Inventory

The inventory consisted of meal containers, dry and frozen foods, and other food products. Inventory is valued using the First- In First-Out (FIFO) method. As of December 31, 2013, inventory was valued at \$22,791.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 1 – Organization and Summary of Significant Accounting Policies (cont.)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 2 – Income Taxes Status

Income Taxes

Mama's Kitchen is a private not-for-profit corporation organized under the laws of the State of California. As a Section 501(c)(3) organization, it is exempt from income taxes on the basis that it qualifies for exemption under Section 501(a) of the Internal Revenue Code, and Section 23701(d) of the State Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Uncertain Tax Positions

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Mama's Kitchen may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the calendar year 2013.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of December 31, 2013, the Organization believes it does not have any taxable unrelated business income, and has not accrued interest or penalties related to uncertain tax positions. Mama's Kitchen files its Form 990 in the U.S. federal jurisdiction and a copy of it with the Office of the State's Attorney General for the State of California. Mama's Kitchen is generally no longer subject to examination by the Internal Revenue Service and the State of California for years before 2010.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 3 - Investments

Investments are valued at fair value based upon quoted market prices. Income, gains and losses are reported in the statement of activities as increases or decreases in net assets. Investments at December 31, 2013 consist primarily of government securities, corporate bonds, and equities totaling \$1,309,762.

Net realized and unrealized gain/(loss) on investment	\$	104,569
Less: investment fees		(17,789)
Interest and dividend income		40,375
Total investment return	\$	<u><u>127,155</u></u>

Note 4 - Fair Value of Investments

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification No. 820 (ASC 820), Fair Value Measurements that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized on the next page:

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 4 - Fair Value of Investments (Cont'd)

Fair Value Measurement at December 31, 2013, Using

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash on Hand and in Bank	\$ 277,069	\$ 277,069	\$ -	\$ -
Merrill Lynch Investments				
Cash Portfolio	54,711	54,711	-	-
Total Cash	<u>\$ 331,779</u>	<u>\$ 331,779</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at December 31, 2012 consisted of the following:				
Merrill Lynch Investment Accounts				
Fixed Income Investments	\$ 333,956	\$ 333,956	\$ -	\$ -
Equities	705,493	705,493	-	-
Mutual Funds	203,775	203,775	-	-
San Diego Foundation				
Endowment, Balanced Pool	11,827	-	11,827	-
Total Investments	<u>\$ 1,255,051</u>	<u>\$ 1,243,224</u>	<u>\$ 11,827</u>	<u>\$ -</u>
Total Cash and Investments	<u>\$ 1,586,830</u>	<u>\$ 1,575,003</u>	<u>\$ 11,827</u>	<u>\$ -</u>

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. Of the investments held at Merrill Lynch various accounts are held as collateral for the revolving line of credit discussed in Note 9. The account value for the accounts held as collateral totaled \$1,285,148 as of December 31, 2013.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 5 - Prepaid Expenses and Deposits

Prepaid expenses and deposits as of December 31, 2013 were as follows:

Prepaid insurance	\$	13,458
Software maintenance		3,787
Cleaning & Service		3,535
Vendor security deposit		5,000
Workers compensation deposit		1,251
Total prepaid expenses / deposits	\$	<u><u>27,031</u></u>

Note 6 - Grants, Contracts, and Miscellaneous Receivables

Receivables as of December 31, 2013 were \$96,926 of which \$76,339 was due from the County of San Diego - Health & Human Services Agency and \$20,587 from various entities.

Note 7 - Pledges Receivable

Mama's Kitchen is working to raise awareness coupled with a fund-raising campaign for a purchased building to accommodate increased demand for its programs and the ultimate growth of the Organization. As of December 31, 2013, pledges to the capital campaign have been secured that have a net present value of \$186,043 at inception; these pledges are unconditional and due \$62,976 in 2014 and \$133,937 over the following four years. Promises to give to be received after 2014 are discounted at 3.25%. The unamortized discount on promises to give at inception is \$10,870. Based on management's experience with respect to specific pledges there is no doubtful pledges that are deemed uncollectible.

Note 8 - Deferred Revenue

Deferred Revenue as of December 31, 2013 of \$16,000 represents two grants received in 2013 that are specifically designated by the grantors to fund 2014 programs.

Note 9 - Revolving Line of Credit

The Organization has a \$500,000 revolving line of credit, of which \$396,000 was used at December 31, 2013. The balance shown on the Statement of Financial Position of \$396,771 includes accrued interest of \$771. Bank advances on the credit line are payable on demand and carry a variable interest rate (1.91900% APR at December 31, 2013). The credit line is secured by various investment accounts also held at Merrill Lynch which total \$1,285,148 as of December 31, 2013.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 10 - Long Term Debt and Purchase of Building

Long term debt at December 31, 2013, was comprised of:

Mortgage note payable to Torrey Pines Bank, interest rate of 5.556%, monthly payments of \$8,363 through January, 2020 with a balloon payment in the amount of approximately \$676,293 collateralized by real property. \$ 1,038,981

Maturities of long-term debt subsequent to December 31, 2013, are as follows:

<u>Years ending</u> <u>December 31</u>	<u>Amount</u>
2014	\$ 42,923
2015	45,405
2016	47,878
2017	50,797
2018	53,734
Thereafter	<u>798,244</u>
Total	<u>\$ 1,038,981</u>

Note 11 -Net Assets

Permanently restricted net assets as of December 31, 2013 consisted of endowment fund contributions as follows:

Mama's Kitchen Endowment	\$ 24,000
The San Diego Foundation Endowment	<u>11,827</u>
Total Permanently Restricted Net Assets	<u>\$ 35,827</u>

Note 12 - Endowment Funds

Mama's Kitchen has two separate endowment funds; one is maintained by The San Diego Foundation and the other is pooled with other investments. Both endowments were created to support the Organization's operations as a whole and not for any specific purpose. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 12 - Endowment Funds (cont.)

The Board of Directors of Mama's Kitchen has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Mama's Kitchen classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Mama's Kitchen considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only)**

Permanently Restricted Net Assets

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 35,827</u>
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Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA	<u>\$ -</u>
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Mama's Kitchen
Notes to Financial Statements
December 31, 2013

Note 12 - Endowment Funds (cont.)

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 35,827</u>	\$ <u> 35,827</u>

Change in Endowment Net Assets for the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (107)	\$	\$ 35,135	\$ 35,028
Investment Return:				
Brokerage Fees	(56)			(56)
Net income (realized and unrealized)	<u> -</u>		<u> 1,253</u>	<u> 1,253</u>
Total Investment Return	(56)	<u> -</u>	<u> 1,253</u>	<u> 1,197</u>
Appropriation of endowment assets for expenditure	(398)			(398)
Endowment net assets (deficit), end of year	\$ <u> (561)</u>	\$ <u> -</u>	\$ <u> 36,388</u>	\$ <u> 35,827</u>

Endowment Investment Policies

Return Objectives and Risk Parameters

Mama's Kitchen has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowments while seeking to maintain the purchasing of the endowment assets. Within prudent investment principles, in selecting FDIC insured institutions for cash, CDs, and similar liquid investments, the Board may take into consideration factors other than the rate of return. Such factors may include, but are not limited to, the institution's community involvement, support of Mama's Kitchen, and similar factors the Board deems prudent under the circumstances, so long as the general rate of return received is similar to that of other institutions.

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Note 12 - Endowment Funds (cont.)

At such time as investments are made in the US equities market, and consistent with prudent investment standards and safety, Mama's Kitchen shall seek to achieve above the market average rate of return as defined by the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary due to economic and other market conditions.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Mama's Kitchen relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Mama's Kitchen's finance committee shall supervise the management of the assets maintained and shall, as appropriate, obtain investment advice from independent sources, including other organizations, registered investment advisors, securities dealers, and other financial institutions.

Note 13 - Concentration of Revenue

Mama's Kitchen received approximately 14.55% of its total revenue from local government agencies for the AIDS Home Delivered Meals Program. While there is no imminent plan on the part of the government to discontinue these funds, the contracts are renewed on an annual basis depending on availability of funds.

Mama's Kitchen also received approximately 85% of its total revenue from fund-raising activities, investment income and contributions from private foundations and local community support.

Note 14 - Fund-raising and Special Events, Net

Special events consist of various fund-raising events as follows:

	Mama's Day	Pie in the Sky	Other Events	Total
Special events revenue	\$ 31,525	\$ 20,955	\$ 4,470	\$ 56,950
Less: direct expenses	(18,441)	(21,313)	(4,035)	(43,789)
Net	<u>13,084</u>	<u>(358)</u>	<u>435</u>	<u>13,161</u>
Special events contributions	208,609	114,232	39,333	362,174
In-Kind donations	166,887	4,526	9,974	181,387
Less: indirect expenses	(14,561)	(35,464)	(16,166)	(66,191)
Net	<u>360,935</u>	<u>83,294</u>	<u>33,141</u>	<u>477,370</u>
Total Fund-raising and Special events	<u>\$ 374,019</u>	<u>\$ 82,936</u>	<u>\$ 33,576</u>	<u>\$ 490,531</u>

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Note 15 - Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$238,537 for the year ended December 31, 2013. In-kind donations of goods and services consisted of the following:

Mama's Day	\$	166,887
Pie in the Sky		4,526
Other Special Events		9,974
Mama's Pantry/Food drives		48,022
Other programs & office supplies		3,756
Subtotal		233,165
Fixed Asset Donation		5,372
Total Donations In-kind	\$	238,537

Mama's Kitchen also received donated delivery services valued at \$354,963 that met the criteria under FASB ASC 958 as described in Note 1. Donated services consist of the following:

Volunteer Hours - Delivery Services	\$	282,942
Mileage Driven		72,021
Total Donated Services	\$	354,963

Note 16 - Employee Benefit Plan:

Mama's Kitchen sponsors in a 401(k) profit sharing plan (a defined contribution plan). All employees are eligible to participate on the first of the month commensurate with or next following their date of hire. Employer contributions are a match based on each participant's salary deferrals. Participants are 100% vested in the employer contributions after completing five years of employment in which they have performed at least 1,000 hours of service. Mama's Kitchen's contribution to this plan was \$16,031 for the year ended December 31, 2013.

Note 17 - Federal Allowances, Awards and Grants

The Organization has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants, it is believed that any required reimbursement would not be material.

Note 18 - Subsequent Events

Management has evaluated subsequent events through April 28, 2014, the date the financial statements were available to be issued.