

MAMA'S KITCHEN

a Non-Profit Organization,

**Financial Statements, Independent Auditor's Report
and Uniform Guidance Reports**

For the Years Ended June 30, 2019 and 2018

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MAMA'S KITCHEN
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INDEPENDENT AUDITOR'S REPORT

To the Mama's Kitchen Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Mama's Kitchen (a nonprofit organization) ("Mama's"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit for the year ended June 30, 2019 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. We conducted our audit for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama's as of June 30, 2019 and 2018, 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.

Other Matters

Other 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for the year ended June 30, 2019 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 information 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 for the year ended June 30, 2019 dated November 8, 2019, on our consideration of Mama'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 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 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 Mama's internal control over financial reporting and compliance.

Ling & Bouman, LLP

November 8, 2019
San Diego, California

MAMA'S KITCHEN
A Not-for-Profit Organization
Statements of Financial Position
As of June 30, 2019 and 2018

	2019	2018
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 173,816	\$ 143,722
Investments in marketable securities available for sale	1,846,993	1,680,718
Accounts receivable - net	198,368	140,203
Inventory	34,054	31,129
Prepaid expenses and other	57,167	44,675
Pledges receivable - current portion	4,241	13,000
Total current assets	2,314,639	2,053,447
Property and equipment - net	1,793,725	1,813,075
Other assets - net	159,897	5,805
Total Assets	\$ 4,268,261	\$ 3,872,327
<u>Liabilities and Net Assets:</u>		
Current Liabilities:		
Line of Credit	\$ 74,260	\$ 454,260
Accounts payable and accrued expenses	156,267	108,189
Current portion of long-term debt	94,193	61,253
Total current liabilities	324,720	623,702
Long-term debt - net	56,410	206,255
Total liabilities	381,130	829,957
Net assets:		
Without donor restrictions	3,625,395	2,958,166
With donor restrictions	261,736	84,204
Total net assets	3,887,131	3,042,370
Total Liabilities and Net Assets	\$ 4,268,261	\$ 3,872,327

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
Government Revenues:			
County of San Diego - Ryan White	\$ 486,590	\$ -	\$ 486,590
County of San Diego - HOPWA	163,958	-	163,958
City of San Diego - CDBG	100,000	-	100,000
City of Vista - CDBG	15,000	-	15,000
Non-Government	<u>207,596</u>	<u>-</u>	<u>207,596</u>
Total contract revenues	973,144	-	973,144
Contributions	1,935,422	252,749	2,188,171
Capital projects	-	5,158	5,158
Donation in-kind	113,249	-	113,249
Donated services	379,114	-	379,114
Special events, net of direct expenses	(27,255)	-	(27,255)
Gain on sale of assets	35	-	35
Investment income	45,899	-	45,899
Net realized and unrealized gain on investments	134,945	1,058	136,003
Released from restriction by payment	<u>81,433</u>	<u>(81,433)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>3,635,986</u>	<u>177,532</u>	<u>3,813,518</u>
EXPENSES:			
Program services	2,356,933	-	2,356,933
Management and general	148,319	-	148,319
Fundraising	<u>463,505</u>	<u>-</u>	<u>463,505</u>
Total Expenses	<u>2,968,757</u>	<u>-</u>	<u>2,968,757</u>
Change in Net Assets	667,229	177,532	844,761
Net Assets, Beginning of Year	<u>2,958,166</u>	<u>84,204</u>	<u>3,042,370</u>
Net Assets, End of Year	<u>\$ 3,625,395</u>	<u>\$ 261,736</u>	<u>\$ 3,887,131</u>

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statement of Activities
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
County of San Diego - Ryan White	\$ 476,810	\$ -	\$ 476,810
County of San Diego - HOPWA	160,683	-	160,683
City of San Diego - CDBG	89,812	-	89,812
City of Vista - CDBG	10,434	-	10,434
Total contract revenues	<u>737,739</u>	<u>-</u>	<u>737,739</u>
Contributions	1,462,704	168,512	1,631,216
Capital projects	-	6,850	6,850
Donation in-kind	93,481	-	93,481
Donated services	384,301	-	384,301
Special events, net of direct expenses	(26,071)	-	(26,071)
Social enterprise	448	-	448
Investment income	40,443	-	40,443
Net realized and unrealized gain on investments	86,009	2,304	88,313
Released from restriction by payment	<u>251,481</u>	<u>(251,481)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>3,030,535</u>	<u>(73,815)</u>	<u>2,956,720</u>
EXPENSES:			
Program services	2,237,069	-	2,237,069
Management and general	149,216	-	149,216
Fundraising	475,719	-	475,719
Total Expenses	<u>2,862,004</u>	<u>-</u>	<u>2,862,004</u>
Change in Net Assets	168,531	(73,815)	94,716
Net Assets, Beginning of Year	<u>2,789,635</u>	<u>158,019</u>	<u>2,947,654</u>
Net Assets, End of Year	<u>\$ 2,958,166</u>	<u>\$ 84,204</u>	<u>\$ 3,042,370</u>

See accompanying notes to financial statements.

MAMA'S KITCHEN
a Not-for-Profit Organization
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	SUPPORTING SERVICES		Total
		Management & General	Fundraising	
Salaries and wages	\$ 533,485	\$ 50,482	\$ 208,350	\$ 792,317
Payroll taxes	45,000	4,849	18,051	67,900
Employee benefits	28,209	11,106	17,025	56,340
Total Salary and Related Expense	606,694	66,437	243,426	916,557
Food and packaging costs (net)	955,690	-	-	955,690
Food costs - in-kind	50,409	-	-	50,409
Advertising, printing & publications	-	-	38,910	38,910
Bank/Credit card fees	-	-	19,680	19,680
Client expense	17,706	-	-	17,706
Depreciation and amortization	107,335	9,554	14,432	131,321
Direct mail	-	-	24,035	24,035
Donor cultivation	-	-	2,534	2,534
Donated services, facilities and in-kind	379,114	6,068	56,773	441,955
Information technology	9,999	7,027	13,433	30,459
Insurance	31,227	7,788	7,044	46,059
Interest expense	19,021	3,759	4,091	26,871
Investment advisory fees	10,970	1,469	2,346	14,785
Legal and professional	36,042	3,562	3,114	42,718
Memberships, subscriptions, professional development	1,012	21,143	5,231	27,386
Occupancy	102,045	11,615	18,996	132,656
Office expense	11,422	3,547	4,603	19,572
Vehicle expense	3,518	-	-	3,518
Volunteer expense	13,427	2,041	1,037	16,505
Miscellaneous	1,302	4,309	3,820	9,431
Total Expenses	\$ 2,356,933	\$ 148,319	\$ 463,505	\$ 2,968,757

See accompanying notes to financial statements.

MAMA'S KITCHEN
a Not-for-Profit Organization
Statement of Functional Expenses
For the Year Ended June 30, 2018

	<u>SUPPORTING SERVICES</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 416,327	\$ 67,308	\$ 205,110	\$ 688,745
Payroll taxes	34,930	5,359	17,893	58,182
Employee benefits	20,883	11,180	13,389	45,452
Total Salary and Related Expense	472,140	83,847	236,392	792,379
Food and packaging costs (net)	1,020,109	-	36	1,020,145
Food costs - in-kind	40,221	-	-	40,221
Advertising, printing & publications	-	250	34,937	35,187
Bank/Credit card fees	-	-	16,890	16,890
Client expense	9,770	-	-	9,770
Depreciation and amortization	114,084	10,584	16,553	141,221
Direct mail	-	-	27,838	27,838
Donor cultivation	-	-	1,224	1,224
Donated services, facilities and in-kind	384,301	-	53,260	437,561
Information technology	8,637	3,178	14,078	25,893
Insurance	22,173	7,994	9,365	39,532
Interest expense	31,629	3,738	8,362	43,729
Investment advisory fees	10,885	1,417	2,412	14,714
Legal and professional	15,179	3,523	25,095	43,797
Memberships, subscriptions, professional development	1,254	15,844	5,161	22,259
Occupancy	85,074	9,131	17,023	111,228
Office expense	10,628	3,276	6,167	20,071
Vehicle expense	3,203	-	-	3,203
Volunteer expense	7,122	1,393	480	8,995
Miscellaneous	660	5,041	446	6,147
Total Expenses	<u>\$ 2,237,069</u>	<u>\$ 149,216</u>	<u>\$ 475,719</u>	<u>\$ 2,862,004</u>

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 844,761	\$ 94,716
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	131,321	141,221
Amortization of debt issuance cost	1,353	1,353
Gain on sale of assets	(35)	-
Investments in marketable securities available for sale	(136,003)	(88,313)
(Increase) Decrease in:		
Accounts receivable - net	(58,165)	105,517
Prepaid expenses and other	(12,492)	(5,237)
Pledges receivable - net	10,069	27,800
Inventory	(2,925)	9,300
Other assets - net	(141,992)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	48,078	3,364
Net cash provided by operating activities	<u>683,970</u>	<u>289,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments in marketable securities available for sale	(352,038)	(308,891)
Proceeds from sale of investments in marketable securities available for sale	321,766	329,104
Proceeds from sale of assets	925	-
Purchase of other assets	(18,216)	-
Purchase of property and equipment	(108,055)	(9,887)
Net cash (used in) provided by investing activities	<u>(155,618)</u>	<u>10,326</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments of long-term borrowings	(118,258)	(328,799)
Line of credit - net	(380,000)	(45,000)
Net cash used in financing activities	<u>(498,258)</u>	<u>(373,799)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,094	(73,752)
Cash and cash equivalents, beginning of the year	<u>143,722</u>	<u>217,474</u>
Cash and cash equivalents, end of the year	<u>\$ 173,816</u>	<u>\$ 143,722</u>
Supplemental Disclosure of cash flow information:		
Cash payments for interest	<u>\$ 25,626</u>	<u>\$ 42,375</u>

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Mama's Kitchen (the "Organization") is a nonprofit organization incorporated on September 28, 1990 in California. The Organization is governed by a non-compensated board of directors and provides services across San Diego County.

The mission statement: Mama's Kitchen, a community-driven organization, believes that everyone is entitled to the basic necessity of life, nutritious food. Our nutrition services improve the lives of women, men, and children vulnerable to hunger due to AIDS, cancer, or other critical illnesses.

Consistent with the mission, the following services are provided:

1. Home delivered meals that are medically tailored to address the health challenges of people living with HIV, cancer, heart disease, and Type II diabetes. This service is funded by a combination of government grants, private and corporate foundations, individual contributions, and other smaller revenue sources. Medically tailored meals are meals approved by a Registered Dietician Nutritionist (RDN) and reflect an appropriate diet based on diagnosis, symptoms, allergies, medication management, and side effects to ensure the best possible health outcomes.
2. Pantry services, provided at Mama's Pantry, are available to people with HIV living on a low income. This service provides the opportunity to shop once a month for staples that include dairy products, protein sources (chicken, beef, eggs, legumes, cheese, etc.), breakfast cereals, rice, fresh and canned vegetables, and other food products. Mama's Pantry also offers emergency food assistance for clients who are in financial crisis and referred to the Organization.
3. Medical Nutrition Therapy (MNT) is provided by our RDN. This one-on-one intervention between the RDN and the client takes place in a clinical setting and is intended to provide the client nutrition information to improve their health outcomes.

During the 12 months ended June 30, 2019 the Organization delivered 368,498 meals, had 4,547 visits to Mama's Pantry, provided 347 emergency food assistance bags, and provided MNT to 935 clients.

During the 12 months ended June 30, 2018 the Organization delivered 319,482 meals, had 5,346 visits to Mama's Pantry, provided 561 emergency food assistance bags, and provided MNT to 175 clients.

The Organization is currently part of a California state-wide pilot project funded by the

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

state of California. This pilot project is providing a medically tailored meal intervention to San Diegans with congestive heart failure. Additionally, in 2019, the Organization began a pilot project to provide medically tailored meals to San Diegans with Type II Diabetes.

Financial Statement Presentation and Basis of Accounting

The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

Cash and Cash Equivalents and Concentration of Credit Risk

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. Amounts in the bank accounts do not exceed the United States Federal Deposit Insurance Corporation insured limit of \$250,000.

Investments in Marketable Securities Available for Sale and Concentration of Credit Risk and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect balances and the amounts reported in the statement of financial position.

The Organization also invests in the securities of foreign companies or companies with significant operations in foreign countries, which involve additional special risks and considerations not typically associated with investing in U.S. companies. These risks include but are not limited to devaluation of currencies, less reliable information about issuers, different securities transaction regulations, clearance and settlement practices, and possibly adverse political and economic developments. Moreover, the securities of many

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Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

foreign companies may be less liquid and their prices more volatile than those securities of comparable U.S. companies.

Inventory

The inventory consists of meal containers, dry and frozen foods, and other food products. Inventory is valued using the First-In First-Out (FIFO) method. As of June 30, 2019 and 2018, inventory was valued at \$34,054 and \$31,129, respectively.

Property and Equipment - net

Property and equipment acquisitions in excess of \$1,000 per the Organization's capitalization policy are capitalized and recorded at cost when purchased. The fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful life of each class of assets (3 to 30 years) and is computed using the straight-line method. The Organization's expenditures for ordinary repairs and maintenance and planned major maintenance are charged to operations as incurred. Depreciation expense for the year ended June 30, 2019 and 2018 was \$126,515 and \$139,541, respectively.

Impairment of Long-lived Assets

The Organization accounts for impairment of long-lived assets in accordance with FASB ASC No. 360, "Property, Plant, and Equipment." ASC No. 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Organization evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible operational impairment. In accordance with ASC No. 360, the Organization uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life in measuring whether its operating assets are recoverable. An impairment is recognized when future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value. The Organization considers continued operating losses, or significant and long-term changes in business conditions, to be its primary indicators of potential impairment. In measuring impairment, the Organization looks to quoted market prices, if available, or the best information available in the circumstances. At June 30, 2019 and 2018, the Organization has determined that there is no impairment of assets.

Intangible Assets – net

Intangible assets cost of \$50,392 are included in Other assets – net and are amortized over the estimated useful life of 5 years. Accumulated amortization totaled \$32,487 and

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Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

\$27,681 as of June 30, 2019 and 2018. Amortization expense for year ended June 30, 2019 and 2018 totaled \$4,806 and \$1,680, respectively.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the loan and are presented net of amortization as a direct reduction of the associated note payable for 2019 and 2018 in accordance with ASU 2015-03. The net loan origination fees included as a reduction to notes payable were \$2,255 and \$3,608 for 2019 and 2018, respectively. Amortization of debt issuance costs totaling \$1,353 and \$1,353 are included in interest expense.

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 June 30, 2019 and 2018, accrued vacation payable was \$46,698 and \$49,921, respectively and are included in Accounts payable and accrued expenses on the Statement of Financial Position.

Contributions, Promises to Give and Capital Projects

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 net assets without donor restrictions. Donations that are not expended in the current year are classified as net assets with donor restrictions.

Capital project contributions include amounts contributed to meet the debt service on the Organization's headquarters as well as specific equipment purchases.

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.

Concentration of Revenue

In 2019 and 2018, Mama's Kitchen received approximately 20% and 25% of its total revenue from local government agencies for the Home Delivered Meal Program. While

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Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

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.

In 2019 and 2018, Mama's Kitchen also received approximately 80% and 75% of its total revenue from fund-raising activities, investment income, contributions from private foundations, local community support and other contract revenues.

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.

Fiscal year ended June 30, 2019:

The Organization received approximately 31,152 donated hours and 150,072 miles driven from 1,198 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,904 women, men, and children at high risk of hunger and malnutrition. The value of donated hours is \$933,002(1) and the value of donated miles is \$87,042(2).

Fiscal year ended June 30, 2018: -

The Organization received approximately 30,916 donated hours and 147,840 miles driven from 923 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,534 women, men, and children at high risk of hunger and malnutrition. The value of donated hours is \$899,346(1) and the value of donated miles is \$80,573(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 13.

- (1) Calculated using the 2018 or 2017 Volunteer Hour Value for California as published by The Independent Sector
- (2) Calculated using the IRS Standard Mileage Rate of \$0.58 for fiscal 2019 and \$0.545 for fiscal 2018

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For the Years Ended June 30, 2019 and 2018

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 benefited.

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.

Recent Accounting Pronouncements

The FASB codifies the various sources of GAAP into the ASC. Any updates to the ASC are communicated through Accounting Standards Updates ("ASU"). In 2017, 2018 and 2019 up to the date of the independent auditors' report, the FASB has issued various ASUs for which the majority are not pertinent to the operations of the Organization. Those ASUs that are pertinent have been adopted (see Accounting Pronouncements Adopted) or will be adopted in future years in accordance with the update provisions and are not expected to have any impact on the financial condition, results of operations or cash flows of the Organization.

Accounting Pronouncements Adopted

In 2019, the Organization adopted ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amended the current reporting model for nonprofit organizations and enhanced their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

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Reclassifications

Certain reclassifications have been made to the fiscal year ended June 30, 2018 financial statements to conform to the fiscal year ended June 30, 2019 presentation.

Date of Managements Review

Subsequent events were evaluated through November 8, 2019, which is the financial statement issuance date.

Note 2 – Statement of Financial Position Details at June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Property and Equipment – at Cost:		
Land	\$ 176,700	\$ 176,700
Building and improvements	2,231,042	2,221,313
Furniture and fixtures	505,866	431,056
Vehicles	<u>39,735</u>	<u>39,735</u>
	2,953,343	2,868,804
Accumulated Depreciation	<u>(1,159,618)</u>	<u>(1,055,729)</u>
Net Property and Equipment	<u>\$1,793,725</u>	<u>\$1,813,075</u>
Prepaid expenses and other:		
Prepaid insurance	\$ 15,051	\$ 13,786
Prepaid program evaluation	15,267	-
Software maintenance	7,008	7,973
Cleaning & other services	12,305	7,833
Vendor security deposit	6,000	13,500
Workers compensation deposit	<u>1,536</u>	<u>1,583</u>
Total prepaid expenses and other	<u>\$ 57,167</u>	<u>\$ 44,675</u>
Other assets – net		
Donated artwork held for sale	\$ 141,992	\$ -
Intangible assets - net	17,905	4,495
Pledges receivable – long-term portion	<u>-</u>	<u>1,310</u>
Total other assets – net	<u>\$ 159,897</u>	<u>\$ 5,805</u>

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Accounts payable and accrued expenses		
Accounts payable	\$ 49,970	\$ 12,839
Accrued payroll	37,774	30,929
Accrued vacation	46,698	49,921
Accrued other	<u>21,825</u>	<u>14,500</u>
 Total accounts payable and accrued expenses	 <u>\$ 156,267</u>	 <u>\$ 108,189</u>

Note 3 – Contracts Awarded and Contingency

During fiscal 2019 and 2018, Mama’s Kitchen was under contract with the San Diego County Department of Mental Health and Human Services (“County of San Diego”), the City of San Diego Economic Development Department (“City of San Diego”) and the City of Vista Housing Division (“City of Vista”), all of which are referred to as the Agencies (the “Agencies”), to provide home delivered meals and other nutrition services. Under the Agencies contracts, services provided are limited to the County of San Diego.

The Agencies contracts for the year ending June 30, 2019 are subject to 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”).

The Agencies contracts are subject to periodic review by the Agencies to substantiate that invoices submitted are properly supported. These reviews will periodically result in minor discrepancies for which Mama’s Kitchen will have to repay the Agencies should any discrepancies exist. During the fiscal year ended June 30, 2019 and 2018, no findings by the Agencies were considered to be material adjustments.

The Agencies contract awards are subject to renewal annually, and there can be no assurance that similar contracts, if any, will be awarded in the future.

Mama’s Kitchen has been awarded similar Agency contracts totaling approximately \$793,000 for the fiscal year ended June 30, 2020.

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Note 4 - Income Taxes

Income Taxes Status

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 on revenues, gains and other support used for charitable purposes.

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. 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 years ended June 30, 2019 and 2018.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns will be sustained upon examination.

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 no longer subject to examination by the Internal Revenue Service and the State of California for years before 2014 and 2013, respectively.

Note 5 – Investments in Marketable Securities Available for Sale

Investments in marketable debt and equity securities available-for-sale are being reported at fair value based upon quoted market prices on national stock exchanges. Unrealized net holding gains totaled \$75,034 and \$21,791 for the years ended June 30, 2019 and 2018, respectively. Investments in marketable securities available for sale are held for investment gains and for future needs of the Organization. (See Note 11 for unrealized net holding gains on permanently restricted endowment funds.)

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Gross realized gains on available-for-sale securities included in revenue totaled \$59,911 and \$64,218 for the years ended June 30, 2019 and 2018, respectively. Gains or (losses) are recognized via the specific identification method.

At June 30, 2019, the cost basis and estimated fair values of investments in equity securities are set forth in the following table. The cost basis approximate the amortized costs for securities purchased at a price equal to the stated face amount, plus a premium or less a discount.

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	\$ 58,466	\$ -	\$ -	\$ 58,466
Domestic common stocks	840,044	339,761	(28,995)	1,150,810
Managed equity mutual funds	271,326	8,299	(2,567)	277,058
Preferred stocks	114,256	3,334	(1,002)	116,588
Asset backed securities	23,148	589	(15)	23,722
Managed equity bond funds				
US Government backed	112,537	4,570	-	117,107
Corporate	86,090	1,503	-	87,593
San Diego Foundation				
Balanced Pool	<u>15,649</u>	<u>-</u>	<u>-</u>	<u>15,649</u>
Total	<u>\$1,521,516</u>	<u>\$358,056</u>	<u>\$(32,579)</u>	<u>\$1,846,993</u>

At June 30, 2018, the cost basis and estimated fair values of investments in equity securities are set forth in the following table. The cost basis approximate the amortized costs for securities purchased at a price equal to the stated face amount, plus a premium or less a discount.

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	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	\$ 67,456	\$ -	\$ -	\$ 67,456
Domestic common stocks	766,726	287,198	(29,328)	1,024,596
Managed equity mutual funds	261,439	4,676	(10,317)	255,798
Preferred stocks	106,108	2,287	(917)	107,478
Asset backed securities	25,620	104	(497)	25,227
Managed equity bond funds				
US Government backed	100,025	1,821	(1,580)	100,266
Corporate	88,310	-	(3,004)	85,306
San Diego Foundation				
Balanced Pool	<u>14,591</u>	<u>-</u>	<u>-</u>	<u>14,591</u>
Total	<u>\$1,430,275</u>	<u>\$296,086</u>	<u>\$(45,643)</u>	<u>\$1,680,718</u>

Note 6 – Fair Value of Investments

The FASB issued ASC 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.

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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 below:

Fair Value Measurement at June 30, 2019, Using

	<u>Total</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
UBS Financial Services, Inc. ("UBS") Investments				
Cash Portfolio	\$ 58,466	\$ 58,466	\$ -	\$ -
UBS Investment Accounts				
Equities	1,150,810	1,150,810	-	-
Mutual Funds	277,058	277,058	-	-
Fixed Income Investments	345,010	345,010	-	-
San Diego Foundation				
Endowment, Balanced Pool	<u>15,649</u>	<u>-</u>	<u>15,649</u>	<u>-</u>
Total Investments	<u>1,788,527</u>	<u>1,772,878</u>	<u>15,649</u>	<u>-</u>
Total Cash and Investments	<u>\$1,846,993</u>	<u>\$1,831,344</u>	<u>\$ 15,649</u>	<u>\$ -</u>

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Fair Value Measurement at June 30, 2018, Using

	<u>Total</u>	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
UBS Financial Services, Inc. ("UBS") Investments				
Cash Portfolio	\$ 67,456	\$ 67,456	\$ -	\$ -
UBS Investment Accounts				
Equities	1,024,596	1,024,596	-	-
Mutual Funds	255,798	255,798	-	-
Fixed Income Investments	318,277	318,277	-	-
San Diego Foundation Endowment, Balanced Pool	<u>14,591</u>	<u>-</u>	<u>14,591</u>	<u>-</u>
Total Investments	<u>1,613,262</u>	<u>1,598,671</u>	<u>14,591</u>	<u>-</u>
Total Cash and Investments	<u>\$1,680,718</u>	<u>\$1,666,127</u>	<u>\$ 14,591</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.

Note 7 – Accounts Receivable - net

Accounts receivable - net as of June 30, 2019 and 2018 were \$198,368 and \$140,203, of which \$106,658 and \$131,844 were due from the County of San Diego – Health & Human Services Agency and \$91,710 and \$8,359 from various other entities. Management determined that no allowance for doubtful accounts was necessary.

Note 8 – Pledges Receivable - net

Mama's Kitchen conducted a capital campaign for the purchase of a building. The remaining pledges receivable as of June 30, 2019 and 2018 are as follows:

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	<u>2019</u>	<u>2018</u>
Pledges receivable – net (the allowance for doubtful pledges totaled \$890 in 2019 and 2018, respectively)	\$ 4,241	\$ 14,310
Less current portion	<u>4,241</u>	<u>13,000</u>
	<u>\$ -</u>	<u>\$ 1,310</u>

Note 9 – Revolving Line of Credit

The Organization has a \$1,000,000 revolving Line of Credit with UBS, of which \$74,260 and \$454,260 was outstanding at June 30, 2019 and 2018, respectively. The balance shown on the Statement of Financial Position of \$74,260 and \$454,260 includes accrued interest of \$257 and \$1,445 as of June 30, 2019 and 2018, respectively. Bank advances on the credit line are payable on demand and carry a 30-day London Inter-Bank Rate + 1.75% interest rate (4.153% APR at June 30, 2019).

Note 10 – Long Term Debt

Long term debt at June 30, 2019 and 2018, was comprised of:

	<u>2019</u>	<u>2018</u>
Mortgage note payable to Torrey Pines Bank, interest rate of 5.5%, monthly payments of \$8,363 through January 2021, collateralized by real property.	\$ 152,858	\$ 271,116
Less current portion	<u>94,193</u>	<u>61,253</u>
	58,665	209,863
Reduction of long term debt for unamortized Debt issuance costs	<u>(2,255)</u>	<u>(3,608)</u>
Total Long term debt - net	<u>\$ 56,410</u>	<u>\$ 206,255</u>

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Maturities of long-term debt subsequent to June 30 are as follows:

2020	\$ 94,193
2021	<u>58,665</u>
Total	<u>\$ 152,858</u>

Note 11 – Net Assets With Donor Restrictions

The Organization received contributions with donor restrictions totaling \$257,907 and \$175,362 in 2019 and 2018, respectively. Per donor imposed restrictions, the funds usage is restricted to a specific purpose and/or program. The Organization utilized \$81,433 and \$251,481 of funds with donor restrictions as of June 30, 2019 and 2018, respectively.

Net assets with donor restrictions are composed of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose	\$ 221,087	\$ 44,613
Mama's Kitchen Endowment	25,000	25,000
The San Diego Foundation Endowment	<u>15,649</u>	<u>14,591</u>
Total Net Assets with Donor Restrictions	<u>\$ 261,736</u>	<u>\$ 84,204</u>

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.

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, the Organization would consider the funds to be underwater if the fair value of the funds are less than the sum of (1) the original value of initial and subsequent gifts donated to the funds and (2) any accumulations to the funds that are required to be maintained in perpetuity in accordance with applicable donor gift instructions. The Organization has

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interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The funds are not currently underwater.

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 purpose of 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, and (7) the investment policies of the Organization.

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 principal 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.

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.

The composition of endowment net assets and the changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	<u>Net Assets with Donor Restrictions</u>
Endowment net assets, July 1, 2017	\$ 37,287
Investment return (net)	<u>2,304</u>
Endowment net assets, June 30, 2018	39,591
Investment return (net)	<u>1,058</u>
Endowment net assets, June 30, 2019	<u>\$ 40,649</u>

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Note 12 – Fund-raising and Special Events, Net

Special events consist of various fund-raising events for the year ended June 30, 2019 and 2018, respectively, as follows:

Fiscal year ended June 30, 2019:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ 16,547	\$ 28,960	\$ -	\$ 45,507
Less: Direct expenses	<u>(41,825)</u>	<u>(19,464)</u>	<u>(11,473)</u>	<u>(72,762)</u>
Special events, net of direct expenses	<u>(25,278)</u>	<u>9,496</u>	<u>(11,473)</u>	<u>(27,255)</u>
Special events contributions	186,369	111,010	76,089	373,468
In-kind donations	43,936	803	-	44,739
Less: Indirect expenses	<u>(21,207)</u>	<u>(22,202)</u>	<u>(18,434)</u>	<u>(61,843)</u>
Net	<u>209,098</u>	<u>89,611</u>	<u>57,655</u>	<u>356,364</u>
Total Fund-raising and Special events	<u>\$ 183,820</u>	<u>\$ 99,107</u>	<u>\$ 46,182</u>	<u>\$ 329,109</u>

Fiscal year ended June 30, 2018:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ 15,600	\$ 29,600	\$ -	\$ 45,200
Less: Direct expenses	<u>(40,473)</u>	<u>(22,987)</u>	<u>(7,811)</u>	<u>(71,271)</u>
Special events, net of direct expenses	<u>(24,873)</u>	<u>6,613</u>	<u>(7,811)</u>	<u>(26,071)</u>
Special events contributions	193,636	108,297	58,961	360,894
In-kind donations	43,936	5,562	363	49,861
Less: Indirect expenses	<u>(11,776)</u>	<u>(15,863)</u>	<u>(5,150)</u>	<u>(32,789)</u>
Net	<u>225,796</u>	<u>97,996</u>	<u>54,174</u>	<u>377,966</u>
Total Fund-raising and Special events	<u>\$ 200,923</u>	<u>\$ 104,609</u>	<u>\$ 46,363</u>	<u>\$ 351,895</u>

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Note 13 – Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$113,249 and \$93,481 (excluding in-kind and donated services to special events net of expenses) for the fiscal years ended June 30, 2019 and 2018, respectively. In-kind donations of goods and services consisted of the following:

	<u>2019</u>	<u>2018</u>
Mama's Day	\$ 56,264	\$ 43,936
Mama's Pies	803	5,562
Other Special Events	-	363
Mama's Pantry/Food Drives	50,409	40,221
Other programs and office supplies	<u>5,773</u>	<u>3,399</u>
Total Donations In-kind	<u>\$ 113,249</u>	<u>\$ 93,481</u>

Mama's Kitchen also received donated delivery services for the years ended June 30, 2019 and 2018 valued at \$379,114 and \$384,301 that met the criteria under FASB ASC 958 as described in Note 1. Donated services consist of the following:

Volunteer Hours – Delivery Services	\$ 292,072	\$ 303,728
Mileage Driven	<u>87,042</u>	<u>80,573</u>
Total Donated Services	<u>\$ 379,114</u>	<u>\$ 384,301</u>

Note 14 – Employee Benefit Plan

Mama's Kitchen sponsors a 401(K) profit sharing plan (a defined contribution plan) (the "Plan"). All employees are eligible to participate in the Plan on the first of the month commensurate with or next following their date of hire. Employer contributions to the Plan are based on a match of 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 the Plan was \$13,303 and \$12,395 for the fiscal years ended June 30, 2019 and 2018, respectively.

Note 15 – Liquidity and Availability of Financial Assets

The following reflects Mama's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions

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within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, at year-end	\$ 2,223,418
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(75,649)
Board designations:	
Endowment fund, primarily for long-term investing	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,122,769</u>

As part of Mama's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Mama's invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, Mama's has a committed line of credit in the amount of \$1 million, which it could draw upon. Additionally, Mama's has a quasi-endowment of \$25,000. Although Mama's does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Supplemental Information

MAMA'S KITCHEN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

<i>Federal Grantor/ Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Health and Human Services (DHHS)</i>			
Pass-Through County of San Diego Health and Human Services Agency HIV Emergency Relief Project Grant	93.914	H89HA00001	\$ 486,590
<i>Department of Housing and Urban Development (HUD)</i>			
Pass-Through County of San Diego Health and Human Services Agency Housing Opportunities for Persons With AIDS	14.241	CAH18F008	170,092
Pass-Through City of San Diego Economic Development Department Community Dependent Block Grant	14.218	B18MC060542	100,000
Pass-Through City of Vista Housing Division Community Dependent Block Grant	14.218	B18MC060575	<u>15,000</u>
Total HUD			285,092
Total expenditures of federal awards			<u>\$ 771,682</u>

See independent auditor's report and note to schedules of expenditures of federal awards.

MAMA'S KITCHEN

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Mama's Kitchen ("Mama's") under the programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Mama's, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mama's.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursements. Mama's has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**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**

Board of Directors
Mama's Kitchen

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 Mama's Kitchen (a nonprofit organization) ("Mama's"), which comprise the statement of financial position as of June 30, 2019, 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 November 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mama's internal control over financial reporting (internal control) to determine the 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 Mama's internal control. Accordingly, we do not express an opinion on the effectiveness of Mama'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mama'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Ling & Bowman, LLP

November 8, 2019
San Diego, California

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

Board of Directors
Mama's Kitchen

Report on Compliance for Each Major Federal Program

We have audited Mama's Kitchen (a nonprofit organization) ("Mama's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mama's major federal programs for the year ended June 30, 2019. Mama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mama's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mama's compliance.

Opinion on Each Major Federal Program

In our opinion, Mama's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Mama's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mama's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Ling & Bourman, LLP

November 8, 2019
San Diego, California

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X none reported

Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X none reported

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X none reported

Significant deficiencies identified? _____ yes X none reported

Type of auditor’s report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ yes X none reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.914	U.S. Department of Health and Human Services – Pass-Through County of San Diego Health and Human Services Agency

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

No reportable conditions, material weaknesses, and instances of noncompliance were identified that related to the financial statements and that were required to be reported.

Section III – Federal Award Findings and Questioned Costs

No reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs were identified that related to the Federal Awards and that were required to be reported by 2 CFR 200.516(a).

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Prior Audit Findings

Not applicable.

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Corrective Action Plan

There was no corrective action plan that was required to be reported.