

MAMA'S KITCHEN

a Non-Profit Organization,

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

For the Years Ended June 30, 2021 and 2020

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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, 2021 and 2020, 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 audits 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. 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, 2021 and 2020, 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*, 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, 2021 dated March 23, 2022, 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

March 23, 2022
San Diego, California

MAMA'S KITCHEN
A Not-for-Profit Organization
Statements of Financial Position
As of June 30, 2021 and 2020

	2021	2020
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 601,424	\$ 2,069,024
Investments in marketable securities available for sale	5,408,204	1,725,937
Accounts receivable - net	355,843	271,160
Inventory	100,482	39,260
Prepaid expenses and other	27,133	41,034
Pledges receivable - current portion	4,091	4,241
Total current assets	<u>6,497,177</u>	<u>4,150,656</u>
Long-term investments	44,281	40,476
Deposits	129,491	6,000
Property and equipment - net	1,650,832	1,732,132
Other assets - net	<u>149,496</u>	<u>153,933</u>
Total Assets	<u><u>\$ 8,471,277</u></u>	<u><u>\$ 6,083,197</u></u>
<u>Liabilities and Net Assets:</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 232,968	\$ 222,533
Total current liabilities	<u>232,968</u>	<u>222,533</u>
Long-term debt - net	<u>-</u>	<u>191,500</u>
Total liabilities	<u>232,968</u>	<u>414,033</u>
Net Assets:		
Without donor restrictions	8,122,528	5,485,919
With donor restrictions	<u>115,781</u>	<u>183,245</u>
Total net assets	<u>8,238,309</u>	<u>5,669,164</u>
Total Liabilities and Net Assets	<u><u>\$ 8,471,277</u></u>	<u><u>\$ 6,083,197</u></u>

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
Government Revenues:			
County of San Diego - Ryan White	\$ 628,831	\$ -	\$ 628,831
County of San Diego - HOPWA	237,388	-	237,388
City of San Diego - CDBG	89,561	-	89,561
Other Government grants	68,000	-	68,000
Non-Government	326,239	-	326,239
Total Contract Revenues	1,350,019	-	1,350,019
Contributions	4,086,717	191,668	4,278,385
Capital projects	-	150	150
Donation in-kind	78,247	-	78,247
Donated services	581,092	-	581,092
Special events, net of direct expenses	(26,597)	-	(26,597)
Released from restriction by payment	263,087	(263,087)	-
Total Revenue and Other Support	6,332,565	(71,269)	6,261,296
EXPENSES:			
Program services	3,526,212	-	3,526,212
Management and general	239,161	-	239,161
Fundraising	567,903	-	567,903
Total Expenses	4,333,276	-	4,333,276
Change in Net Assets before Non-operating Activities	1,999,289	(71,269)	1,928,020
NON-OPERATING ACTIVITIES:			
Gain on forgiveness of PPP Loan	191,500	-	191,500
Investment income	67,474	-	67,474
Net realized and unrealized gain on investments	378,346	3,805	382,151
Total Non-Operating Activities	637,320	3,805	641,125
Change in Net Assets	2,636,609	(67,464)	2,569,145
Net Assets, Beginning of Year	5,485,919	183,245	5,669,164
Net Assets, End of Year	\$ 8,122,528	\$ 115,781	\$ 8,238,309

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
Government Revenues:			
County of San Diego - Ryan White	\$ 557,222	\$ -	\$ 557,222
County of San Diego - HOPWA	178,642	-	178,642
City of San Diego - CDBG	125,000	-	125,000
City of Vista - CDBG	15,750		15,750
Non-Government	323,007	-	323,007
Total Contract Revenues	1,199,621	-	1,199,621
Contributions	3,660,341	86,400	3,746,741
Capital projects	-	1,150	1,150
Donation in-kind	55,145	-	55,145
Donated services	374,857	-	374,857
Special events, net of direct expenses	(20,970)	-	(20,970)
Released from restriction by payment	165,868	(165,868)	-
Total Revenue and Other Support	5,434,862	(78,318)	5,356,544
EXPENSES:			
Program services	3,062,769	-	3,062,769
Management and general	165,433	-	165,433
Fundraising	418,547	-	418,547
Total Expenses	3,646,749	-	3,646,749
Change in Net Assets Before Non-operating Activities	1,788,113	(78,318)	1,709,795
NON-OPERATING ACTIVITIES:			
Investment income	47,236	-	47,236
Net realized and unrealized gain on investments	25,175	(173)	25,002
Total Non-Operating Activities	72,411	(173)	72,238
Change in Net Assets	1,860,524	(78,491)	1,782,033
Net Assets, Beginning of Year	3,625,395	261,736	3,887,131
Net Assets, End of Year	\$ 5,485,919	\$ 183,245	\$ 5,669,164

See accompanying notes to financial statements.

MAMA'S KITCHEN
a Not-for-Profit Organization
Statement of Functional Expenses
For the Year Ended June 30, 2021

		SUPPORTING SERVICES		
	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 877,246	\$ 147,414	\$ 315,466	\$ 1,340,126
Payroll taxes	70,121	11,783	25,216	107,120
Employee benefits	45,112	7,581	16,223	68,916
Total Salary and Related Expense	992,479	166,778	356,905	1,516,162
Food and packaging costs (net)	1,479,725	-	-	1,479,725
Advertising, printing & publications	-	-	39,536	39,536
Bank/Credit card fees	-	-	29,992	29,992
Client expense	11,911	-	-	11,911
Depreciation and amortization	123,002	9,640	15,541	148,183
Direct mail	-	-	20,517	20,517
Donor cultivation	-	-	1,998	1,998
Donations - in-kind	78,247	-	-	78,247
Donated services	553,259	-	27,833	581,092
Information technology	24,313	4,349	19,044	47,706
Insurance	41,462	11,294	5,396	58,152
Interest expense	-	-	-	-
Investment advisory fees	9,542	9,544	9,544	28,630
Legal and professional	40,217	10,264	4,456	54,937
Memberships, subscriptions, professional development	9,179	6,713	9,235	25,127
Occupancy	114,412	12,796	20,103	147,311
Office expense	19,765	3,448	5,335	28,548
Vehicle expense	4,099	-	-	4,099
Volunteer expense	18,115	232	913	19,260
Miscellaneous	6,485	4,103	1,555	12,143
Total Expenses	<u>\$ 3,526,212</u>	<u>\$ 239,161</u>	<u>\$ 567,903</u>	<u>\$ 4,333,276</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, 2020

		SUPPORTING SERVICES		
	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 770,545	\$ 80,380	\$ 211,754	\$ 1,062,679
Payroll taxes	64,424	5,635	18,897	88,956
Employee benefits	32,088	13,047	10,746	55,881
Total Salary and Related Expense	867,057	99,062	241,397	1,207,516
Food and packaging costs (net)	1,371,980	-	-	1,371,980
Advertising, printing & publications	-	-	44,552	44,552
Bank/Credit card fees	-	-	21,973	21,973
Client expense	23,568	-	-	23,568
Depreciation and amortization	110,379	9,211	14,744	134,334
Direct mail	-	-	18,215	18,215
Donor cultivation	-	-	1,700	1,700
Donations - in-kind	55,145	-	-	55,145
Donated services	367,270	-	7,587	374,857
Information technology	16,316	4,568	13,706	34,590
Insurance	31,467	6,447	8,019	45,933
Interest expense	6,157	2,893	1,150	10,200
Investment advisory fees	10,931	1,518	2,365	14,814
Legal and professional	40,650	2,877	13,089	56,616
Memberships, subscriptions, professional development	3,453	12,935	4,251	20,639
Occupancy	119,470	12,005	16,885	148,360
Office expense	12,418	3,708	5,570	21,696
Vehicle expense	3,845	-	-	3,845
Volunteer expense	17,762	1,898	151	19,811
Miscellaneous	4,901	8,311	3,193	16,405
Total Expenses	<u>\$ 3,062,769</u>	<u>\$ 165,433</u>	<u>\$ 418,547</u>	<u>\$ 3,646,749</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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 2,569,145	\$ 1,782,033
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	148,183	134,334
Amortization of debt issuance cost	-	2,255
Investments in marketable securities available for sale	(378,346)	(25,175)
Gain on forgiveness of PPP Loan	(191,500)	-
(Increase) Decrease in:		
Accounts receivable - net	(84,683)	(72,792)
Prepaid expenses and other	13,901	10,134
Pledges receivable - net	150	-
Inventory	(61,222)	(5,206)
Deposits	(123,491)	-
Long-term investments	(3,805)	173
Increase in:		
Accounts payable and accrued expenses	10,435	66,265
Net cash provided by operating activities	<u>1,898,767</u>	<u>1,892,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments in marketable securities available for sale	(4,577,274)	(398,493)
Proceeds from sale of investments in marketable securities available for sale	1,273,353	504,075
Purchase of property and equipment	(62,446)	(66,777)
Net cash (used in) provided by investing activities	<u>(3,366,367)</u>	<u>38,805</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on long-term borrowings	-	(152,858)
Net advances on Paycheck Protection Loan	-	191,500
Line of credit - net	-	(74,260)
Net cash used in financing activities	<u>-</u>	<u>(35,618)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,467,600)	1,895,208
Cash and cash equivalents, beginning of the year	<u>2,069,024</u>	<u>173,816</u>
Cash and cash equivalents, end of the year	<u>\$ 601,424</u>	<u>\$ 2,069,024</u>
Supplemental Disclosure of cash flow information:		
Cash payments for interest	<u>\$ -</u>	<u>\$ 7,945</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, 2021 and 2020

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 believes that everyone is entitled to the basic necessity of life – nutritious food. Our services improve the health and well-being of individuals and families vulnerable to malnutrition due to critical illness.

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, Type II diabetes, and kidney disease. 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. This service is currently paused due to the COVID-19 pandemic.
3. Medical Nutrition Therapy ("MNT") is provided by our RDN's. 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, 2021 the Organization delivered 599,938 meals, provided 715 emergency food assistance bags, and provided MNT to 1,880 clients. Due to the Covid-19 pandemic, Mama's Pantry was closed for the entire fiscal year ending June 30, 2021.

During the 12 months ended June 30, 2020 the Organization delivered 528,034 meals, had 3,333 visits to Mama's Pantry, provided 347 emergency food assistance bags, and provided MNT to 1,561 clients.

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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

The Organization has been part of the emergency response effort since the start (March, 2020) of the COVID-19 pandemic. Additionally, operational procedures were modified by implementing public health safety precautions (masking, social distancing, cleaning of surfaces, temperature taking, sign-in/sign-out logs, limiting number of people in the building during hours of operation). The Organization experienced an increase in the number of people served by approximately two-thirds over pre-pandemic levels. Additionally, the Organization, temporarily discontinued its pantry services.

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 which exceed the United States Federal Deposit Insurance Corporation insured limit of \$250,000 total approximately \$293,000 at June 30, 2021.

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

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 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, 2021 and 2020, inventory was valued at \$100,482 and \$39,260, 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, 2021 and 2020 was \$143,746 and \$128,370, 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

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020, 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 five years. Accumulated amortization totaled \$42,888 and \$38,451 as of June 30, 2021 and 2020. Amortization expense for year ended June 30, 2021 and 2020 totaled \$4,437 and \$5,964, respectively.

Debt Issuance Costs

Amortization of debt issuance costs totaling \$2,255 was included in interest expense for the year ended June 30, 2020. Long term debt was paid off in fiscal year 2020 and debt issuance costs were fully amortized.

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, 2021 and 2020, accrued vacation payable was \$99,033 and \$71,411, 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

MAMA'S KITCHEN
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Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 2021 and 2020, Mama's Kitchen received approximately 15% and 16% of its total revenue from local government agencies for the Home Delivered Meal 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.

In 2021 and 2020, Mama's Kitchen also received approximately 85% and 84% 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, 2021:

The Organization received approximately 26,850 donated hours and 210,560 miles driven from 623 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,880 individuals at high risk of hunger and malnutrition. The value of donated hours is \$902,429(1) and the value of donated miles is \$121,072(2).

Fiscal year ended June 30, 2020:

The Organization received approximately 30,740 donated hours and 131,769 miles driven from 1,431 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,561 individuals at high risk of hunger and malnutrition. The value of donated hours is \$968,617(1) and the value of donated miles is \$76,426(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.

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Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

- (1) Calculated using the 2020 and 2019 Volunteer Hour Value for California as published by The Independent Sector
- (2) Calculated using the IRS Standard Mileage Rate of \$0.575 for fiscal 2021 and \$0.575 for fiscal 2020

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.

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 Generally Accepted Accounting Principles ("GAAP") into the ASC. Any updates to the ASC are communicated through Accounting Standards Updates ("ASU"). In 2019, 2020 and 2021 and 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.

Reclassifications

Certain reclassifications have been made to the fiscal year ended June 30, 2020 financial statements to conform to the fiscal year ended June 30, 2021 presentation.

Date of Managements Review

Subsequent events were evaluated through March 23, 2022, which is the financial statement issuance date.

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2 – Statement of Financial Position Details at June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Prepaid expenses and other:		
Prepaid insurance	\$ 10,579	\$ 14,115
Prepaid program evaluation	-	11,803
Software maintenance	13,004	8,688
Cleaning & other services	3,550	4,892
Workers compensation deposit	<u>-</u>	<u>1,536</u>
Total prepaid expenses and other	<u>\$ 27,133</u>	<u>\$ 41,034</u>
Deposits:		
Vendor security deposits	\$ 6,000	\$ 6,000
Building improvements	5,000	-
Software purchase	<u>118,491</u>	<u>-</u>
Total deposits	<u>\$ 129,491</u>	<u>\$ 6,000</u>
Property and Equipment – at Cost:		
Land	\$ 176,700	\$ 176,700
Building and improvements	2,278,744	2,239,625
Furniture and fixtures	587,387	564,060
Vehicles	<u>39,735</u>	<u>39,735</u>
	3,082,566	3,020,120
Accumulated Depreciation	<u>(1,431,734)</u>	<u>(1,287,988)</u>
Net Property and Equipment	<u>\$1,650,832</u>	<u>\$1,732,132</u>
Other assets – net		
Donated artwork held for sale	\$ 141,992	\$ 141,992
Intangible assets - net	<u>7,504</u>	<u>11,941</u>
Total other assets – net	<u>\$ 149,496</u>	<u>\$ 153,933</u>
Accounts payable and accrued expenses		
Accounts payable	\$ 37,712	\$ 38,552
Accrued payroll	58,370	80,079
Accrued vacation	99,033	71,411
Accrued other	<u>37,853</u>	<u>32,491</u>
Total accounts payable and accrued expenses	<u>\$ 232,968</u>	<u>\$ 222,533</u>

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Note 3 – Contracts Awarded and Contingency

During fiscal 2021 and 2020, 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, 2021 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, 2021 and 2020, 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 \$857,000 for the fiscal year ended June 30, 2022.

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

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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, 2021 and 2020.

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 2016 and 2015, 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 (losses) totaled \$299,709 and \$(64,489) for the years ended June 30, 2021 and 2020, 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.)

Gross realized gains on available-for-sale securities included in revenue totaled \$78,637 and \$89,702 for the years ended June 30, 2021 and 2020, respectively. Gains or (losses) are recognized via the specific identification method.

Fair values of investments in equity securities are included on the Statements of Financial Position as follows:

	<u>2021</u>	<u>2020</u>
Investments in marketable securities available for sale	\$5,408,204	\$1,725,937
Long-term investments	<u>44,281</u>	<u>40,476</u>
Total	\$5,452,485	\$1,766,413

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At June 30, 2021, the cost basis and estimated fair values of investments in equity securities are set forth in the following table. The cost basis approximates 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	\$1,474,169	\$ -	\$ -	\$1,474,169
Domestic common stocks	880,075	532,436	(10,552)	1,401,959
Managed equity mutual funds	589,636	40,591	(2,981)	627,246
Preferred stocks	172,426	10,087	(475)	182,038
Asset backed securities	8,483	543	-	9,026
Managed equity bond funds				
US Government backed	1,207,027	5,614	(11,624)	1,201,017
Corporate	540,691	3,666	(6,608)	537,749
San Diego Foundation				
Balanced Pool	<u>19,281</u>	<u>-</u>	<u>-</u>	<u>19,281</u>
Total	<u>\$4,891,788</u>	<u>\$592,937</u>	<u>\$ (32,240)</u>	<u>\$5,452,485</u>

At June 30, 2020, the cost basis and estimated fair values of investments in equity securities are set forth in the following table. The cost basis approximates 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	\$ 58,828	\$ -	\$ -	\$ 58,828
Domestic common stocks	805,589	290,025	(55,826)	1,039,788

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Managed equity mutual funds	278,288	10,168	(3,628)	284,828
Preferred stocks	121,132	2,211	(2,659)	120,684
Asset backed securities	19,189	1,334	-	20,523
Managed equity bond funds				
US Government backed	96,135	13,802	(95)	109,842
Corporate	110,788	5,862	(206)	116,444
San Diego Foundation				
Balanced Pool	<u>15,476</u>	<u>-</u>	<u>-</u>	<u>15,476</u>
Total	<u>\$1,505,425</u>	<u>\$323,402</u>	<u>\$ (62,414)</u>	<u>\$1,766,413</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.

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.

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Assets measured at fair value on a recurring basis are summarized below:

Fair Value Measurement at June 30, 2021, 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	<u>\$1,474,169</u>	<u>\$1,474,169</u>	<u>\$ -</u>	<u>\$ -</u>
UBS Investment Accounts				
Equities	1,401,959	1,401,959	-	-
Mutual Funds	627,246	627,246	-	-
Fixed Income Investments	1,929,830	1,929,830	-	-
San Diego Foundation				
Endowment, Balanced Pool	<u>19,281</u>	<u>-</u>	<u>19,281</u>	<u>-</u>
Total Investments	<u>3,978,316</u>	<u>3,959,035</u>	<u>19,281</u>	<u>-</u>
Total Cash and Investments	<u>\$5,452,485</u>	<u>\$5,433,204</u>	<u>\$ 19,281</u>	<u>\$ -</u>

Fair Value Measurement at June 30, 2020, 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	<u>\$ 58,828</u>	<u>\$ 58,828</u>	<u>\$ -</u>	<u>\$ -</u>

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UBS Investment Accounts				
Equities	1,039,788	1,039,788	-	-
Mutual Funds	284,828	284,828	-	-
Fixed Income Investments	367,493	367,493	-	-
San Diego Foundation				
Endowment, Balanced Pool	<u>15,476</u>	<u>-</u>	<u>15,476</u>	<u>-</u>
Total Investments	<u>1,707,585</u>	<u>1,692,109</u>	<u>15,476</u>	<u>-</u>
Total Cash and Investments	<u>\$1,766,413</u>	<u>\$1,750,937</u>	<u>\$ 15,476</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, 2021 and 2020 were \$355,843 and \$271,160, of which \$166,987 and \$143,716 were due from the County of San Diego – Health & Human Services Agency and \$188,856 and \$127,444 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable – net (the allowance for doubtful pledges totaled \$890 in 2021 and 2020, respectively)	\$ 4,091	\$ 4,241
Less current portion	<u>4,091</u>	<u>4,241</u>
	<u>\$ -</u>	<u>\$ -</u>

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Note 9 – Revolving Line of Credit

The Organization has a \$1,000,000 revolving Line of Credit with UBS. Bank advances on the credit line are payable on demand and carry a 30-day London Inter-Bank Rate + 1.75% interest rate (1.851% APR at June 30, 2021). There were no amounts outstanding on the Line of Credit at June 30, 2021 or 2020, respectively.

Note 10 – Long Term Debt

Long term debt at June 30, 2021 and 2020, was comprised of:

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program (“PPP”) loan due to a Financial institution. The loan is backed by the SBA. Loan may be forgiven if the Organization meets the Requirements for forgiveness. Should a portion of the loan not be forgiven, the unforgiven portion bears interest at 1.0% and is payable December 31, 2021.	\$ -	\$ 191,500
	<u> </u>	<u> </u>
Total Long term debt - net	<u>\$ -</u>	<u>\$ 191,500</u>

The PPP loan totaling \$191,500 was to be used to pay for payroll costs, group health care benefits, rent and utility costs occurring over a specified term as defined in the loan agreement and if used in accordance with the terms, would be eligible for loan forgiveness. The organization used the funds for these eligible purposes and accordingly believed they met the requirements for forgiveness of the loan. The organization applied to the bank for loan forgiveness and received notice on June 28, 2021 that the loan had been fully forgiven.

Note 11 – Net Assets With Donor Restrictions

The Organization received contributions with donor restrictions totaling \$191,818 and \$87,550 in 2021 and 2020, respectively. Per donor imposed restrictions, the funds usage is restricted to a specific purpose and/or program. The Organization utilized \$259,282 and \$165,868 of funds with donor restrictions as of June 30, 2021 and 2020, respectively.

Net assets with donor restrictions are composed of the following:

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	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose	\$ 71,500	\$ 142,769
Mama's Kitchen Endowment	25,000	25,000
The San Diego Foundation Endowment	<u>19,281</u>	<u>15,476</u>
Total Net Assets with Donor Restrictions	<u>\$ 115,781</u>	<u>\$ 183,245</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 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

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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, 2021 and 2020 are as follows:

	<u>Net Assets with Donor Restrictions</u>
Endowment net assets, July 1, 2019	\$ 40,649
Investment return (net)	<u>(173)</u>
Endowment net assets, June 30, 2020	40,476
Investment return (net)	<u>3,805</u>
Endowment net assets, June 30, 2021	<u>\$ 44,281</u>

Note 12 – Fund-raising and Special Events, Net

Special events consist of various fund-raising events for the year ended June 30, 2021 and 2020, respectively, as follows:

Fiscal year ended June 30, 2021:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ 3,640	\$ 25,367	\$ -	\$ 29,007
Less: Direct expenses	<u>(15,844)</u>	<u>(37,737)</u>	<u>(2,023)</u>	<u>(55,604)</u>
Special events, net of direct expenses	<u>(12,204)</u>	<u>(12,370)</u>	<u>(2,023)</u>	<u>(26,597)</u>
Special events contributions	122,053	109,356	19,213	250,622
In-kind donations	2,093	6,000	-	8,093

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Less: Indirect expenses	<u>(10,320)</u>	<u>(19,341)</u>	<u>(3,924)</u>	<u>(33,585)</u>
Net	<u>113,826</u>	<u>96,015</u>	<u>15,289</u>	<u>225,130</u>
Total Fund-raising and Special events	<u>\$ 101,622</u>	<u>\$ 83,645</u>	<u>\$ 13,266</u>	<u>\$ 198,533</u>

Fiscal year ended June 30, 2020:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ -	\$ 28,000	\$ -	\$ 28,000
Less: Direct expenses	<u>(5,629)</u>	<u>(31,696)</u>	<u>(11,645)</u>	<u>(48,970)</u>
Special events, net of direct expenses	<u>(5,629)</u>	<u>(3,696)</u>	<u>(11,645)</u>	<u>(20,970)</u>
Special events contributions	-	89,636	53,859	143,495
In-kind donations	100	561	308	969
Less: Indirect expenses	<u>(9,250)</u>	<u>(11,725)</u>	<u>(10,477)</u>	<u>(31,452)</u>
Net	<u>(9,150)</u>	<u>78,472</u>	<u>43,690</u>	<u>113,012</u>
Total Fund-raising and Special events	<u>\$ (14,779)</u>	<u>\$ 74,776</u>	<u>\$ 32,045</u>	<u>\$ 92,042</u>

Contributions and In-kind donations in excess of the special events revenue, which consists of the exchange value of goods and services provided to participants, are included in the Statements of Activities in their respective categories.

Note 13 – Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$78,247 and \$55,145 (excluding in-kind and donated services to special events net of expenses) for the fiscal years ended June 30, 2021 and 2020, respectively. In-kind donations of goods and services consisted of the following:

	<u>2021</u>	<u>2020</u>
Mama's Day	\$ 2,093	\$ 100
Mama's Pies	6,000	561
Other Special Events	250	6,618
Mama's Pantry/Food Drives	1,142	47,483

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Donated Building Expenses	67,955	-
Other programs and office supplies	<u>807</u>	<u>383</u>
Total Donations In-Kind	<u>\$ 78,247</u>	<u>\$ 55,145</u>

Mama's Kitchen also received donated delivery services for the years ended June 30, 2021 and 2020 valued at \$581,092 and \$374,857 that met the criteria under FASB ASC 958 as described in Note 1. Donated services consist of the following:

	<u>2021</u>	<u>2020</u>
Volunteer Hours – Delivery Services	\$ 460,020	\$ 298,431
Mileage Driven	<u>121,072</u>	<u>76,426</u>
Total Donated Services	<u>\$ 581,092</u>	<u>\$ 374,857</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 \$17,956 and \$14,364 for the fiscal years ended June 30, 2021 and 2020, 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 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.

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Financial assets, at year-end	\$ 6,413,863
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(52,851)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,361,012</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.

Note 16 – Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could continue to be impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the ongoing pandemic. Management is carefully monitoring the situation and evaluating its options during this time. Currently, the Organization has seen an increase in funding from local government sources to provide additional services to vulnerable and affected individuals due to the pandemic. No guarantees can be given that this type of funding will continue and that the pandemic will not have a negative impact on the Organization. No adjustments have been made to these financial statements as a result of this uncertainty.

Supplemental Information

MAMA'S KITCHEN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

<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	\$ <u>628,831</u>
<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	CAH20F008	237,388
Pass-Through City of San Diego			
Economic Development Department			
Community Dependent Block Grant	14.218	B20MC060542	89,561
Pass-Through City of Vista			
Housing Division			
Community Dependent Block Grant	14.218	B20MC060575	<u>15,000</u>
Total HUD			<u>341,949</u>
Total expenditures of federal awards			\$ <u>970,780</u>

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

MAMA'S KITCHEN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

<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	\$ <u>477,887</u>
<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	CAH19F008	178,642
Pass-Through City of San Diego Economic Development Department Community Dependent Block Grant	14.218	B19MC060542	125,000
Pass-Through City of Vista Housing Division Community Dependent Block Grant	14.218	B19MC060575	<u>15,750</u>
Total HUD			<u>319,392</u>
Total expenditures of federal awards			\$ <u>797,279</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, 2021

Note 1 – Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards (the ‘Schedules’) include the federal grant activity of Mama’s Kitchen (“Mama’s”) under the programs of the federal government for the years ended June 30, 2021 and 2020. The information in these schedules are 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 Schedules present only a selected portion of the operations of Mama’s, they are not intended to and do 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 Schedules 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2022.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01 that we consider to be significant deficiencies.

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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Bouman, LLP

March 23, 2022
San Diego, California

LING & BOUMAN, LLP
Certified Public Accountants
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San Diego, California 92123
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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, 2021. 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, 2021.

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 & Bowman, LLP

March 23, 2022
San Diego, California

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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? X yes _____ 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? X yes _____ no

MAMA'S KITCHEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

2021 – 01 Payroll

Condition: The CEO did not approve payroll registers as required by the organization's internal controls.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll registers and associated payroll payments are appropriately authorized and approved.

Effect: Because of the failure to perform the compensating review and the lack of segregation of duties due to the small size of the organization, employees may be added to the payroll without the approval or knowledge of management.

Cause: Due to a change in payroll software, the COVID-19 Pandemic and the remote work environment, along with staffing issues, the internal control that had previously been in place was not performed.

Recommendation: We recommend Management re-implement the Chief Executive Officer review of the payroll registers and do a subsequent review of any previously un-reviewed payrolls.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and additional staff have already been hired and the recommended procedures have been implemented.

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, 2021**

Prior Audit Findings

None

MAMA'S KITCHEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

Corrective Action Plan

Mama's Kitchen
Ling & Bouman, LLP

Corrective Action Plan prepared by Alberto Cortés, Chief Executive Officer, (619) 233-6262

2021-01 – Payroll

Recommendation

Mama's Kitchen should re-implement the Chief Executive Officer review of the payroll registers and do a subsequent review of any previously un-reviewed payrolls.

Actions Taken or Planned on the Finding

We concur with the recommendation, and it was implemented effective March 10, 2022.