



Nourishing the Heart. One Meal at a Time.

Audited Financial Statements
December 31, 2009

Presented By

Douglas R. Ashbrook, CPA
San Diego, CA

**MAMA'S KITCHEN
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December 31, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mama's Kitchen

I have audited the accompanying statement of financial position of Mama's Kitchen (a nonprofit organization) as of December 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Mama's Kitchen's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama's Kitchen as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

March 31, 2010

Douglas R. Ashbrook, CPA

MAMA'S KITCHEN
Statement of Financial Position
December 31, 2009
(With Comparative Totals for December 31, 2008)

	ASSETS	
	2009	2008
Cash and cash equivalents	\$ 249,906	\$ 361,505
Investments	1,940,426	1,651,409
Prepaid expenses and deposits	26,648	23,538
Grant contracts receivable	36,585	46,393
Inventory	17,382	16,718
Office & computer equipment	137,859	136,390
Kitchen equipment	138,119	136,573
Vehicles	23,858	23,858
Leasehold improvements	53,039	53,039
Less: accumulated depreciation	(310,451)	(281,868)
Intangible assets	13,761	13,761
Less: accumulated amortization	(8,027)	(5,275)
 Total Assets	 \$ 2,319,105	 \$ 2,176,041

LIABILITIES AND NET ASSETS

<u>LIABILITIES:</u>		
Accounts payable	\$ 11,183	\$ 6,815
Accrued payroll liabilities	26,638	28,356
Deferred revenue	12,500	-
Accrued vacation payable	35,792	43,664
 Total Liabilities	 86,113	 78,835
 <u>NET ASSETS:</u>		
Unrestricted	2,202,553	2,068,206
Permanently restricted	30,439	29,000
 Total Net Assets	 2,232,992	 2,097,206
 Total Liabilities and Net Assets	 \$ 2,319,105	 \$ 2,176,041

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Activities
For the Year Ending December 31, 2009
(With Comparative Totals for December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>					
CARE Act - Home delivered meals	\$ 437,919	\$	\$	\$ 437,919	\$ 493,759
County of San Diego	15,000			15,000	15,405
Contributions	1,401,070			1,401,070	1,319,153
Donations in-kind	293,943			293,943	289,278
Donated services and facilities	347,743			347,743	503,400
Special events, net of direct expenses	51,400			51,400	12,458
Investment income	64,872			64,872	84,363
Net realized and unrealized gain on investments	171,806			171,806	-
Released from restriction by payment	161	(161)		-	-
 Total Revenue, Gains, and Other Support	 2,783,914	 (161)	 -	 2,783,753	 2,717,816
<u>EXPENSES AND LOSSES:</u>					
Program services	2,123,143			2,123,143	2,328,743
Management and general	149,875			149,875	151,007
Fundraising	374,949			374,949	429,830
Total Expenses	2,647,967		-	2,647,967	2,909,580
 Net loss on disposition of assets	 -			 -	 3,294
Net realized and unrealized loss on investments	-	-	-	-	547,612
 Total Expenses and Losses	 2,647,967	 -	 -	 2,647,967	 3,460,486
 Change in Net Assets	 135,947	 (161)	 -	 135,786	 (742,670)
Net Assets, Beginning of Year	2,068,206	-	29,000	2,097,206	2,839,876
Reclassification adjustment	(1,600)	161	1,439	-	-
Net Assets, End of Year	\$ 2,202,553	\$ 0	\$ 30,439	\$ 2,232,992	\$ 2,097,206

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Cash Flows
For the Year Ending December 31, 2009
(With Comparative Totals for December 31, 2008)

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	2009	2008
Increase (Decrease) in Net Assets	\$ 135,786	\$ (742,670)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation and amortization	31,335	40,500
(Gain)/loss on investments	(171,806)	547,612
(Gain)/loss on disposition		3,294
<u>(Increase)/Decrease in:</u>		
Contracts receivable	9,808	28,226
Prepaid expenses and deposits	(3,110)	(1,347)
Inventory	(664)	(5,108)
<u>Increase/(Decrease) in:</u>		
Accrued vacation payable	(7,872)	6,731
Accounts payable	4,368	(15,367)
Deferred revenue	12,500	(15,000)
Accrued payroll liabilities	(1,718)	8,326
Net cash provided/(used) by operating activities	8,627	(144,803)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(919,352)	(1,836,251)
Proceeds from sale of investments	855,266	1,835,444
Purchase of property and equipment	(3,015)	(22,309)
Net cash provided/(used) in investing activities	(67,101)	(23,116)
Net increase(decrease) in cash and cash equivalents	(58,474)	(167,919)
Cash and cash equivalents at beginning of year	308,380	476,299
Cash and cash equivalents at end of year	\$ 249,906	\$ 308,380

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Functional Expenses
For the Year Ending December 31, 2009
(With Comparative Totals for December 31, 2008)

	SUPPORTING SERVICES				
	Program Services	Management & General	Fund- Raising	2009 Total	2008 Total
Salaries and wages	\$ 288,610	\$ 85,339	\$ 126,618	\$ 500,567	\$ 566,192
Payroll taxes	24,135	6,681	10,895	41,711	45,901
Employee benefits	20,672	8,204	5,740	34,616	35,867
TOTAL SALARY AND RELATED EXPENSE	333,417	100,224	143,253	576,894	647,960
Food costs	1,015,955	-	-	1,015,955	991,150
Food costs-In-kind	40,369	-	-	40,369	42,595
Advertising & promotion	2,801	-	39,595	42,396	43,454
Auto expense	2,227	-	-	2,227	3,761
Bank fees	-	13,523	-	13,523	12,974
Client expense	9,004	-	-	9,004	17,461
Contract services	-	-	-	-	25,530
Depreciation and amortization	27,533	2,500	1,302	31,335	40,500
Direct mail	-	-	44,941	44,941	49,045
Donor expense	-	-	611	611	4,394
Donated services and facilities	258,443	6,300	83,000	347,743	503,400
Insurance	17,810	3,828	1,319	22,957	21,616
Investment advisory fees	23,689	-	-	23,689	27,486
Legal & professional	2,650	2,350	-	5,000	4,700
Memberships & dues	1,163	1,460	1,571	4,194	5,531
Newsletter & annual report	-	-	9,796	9,796	28,239
Office expense	12,954	5,792	3,308	22,054	27,054
Printing	-	-	4,627	4,627	5,528
Postage	1,002	700	4,329	6,031	5,999
Professional development	2,346	2,012	2,347	6,705	12,686
Program development & market research	7,643	-	-	7,643	1,699
Rent	72,185	7,222	3,607	83,014	78,837
Repairs	7,993	-	-	7,993	8,505
Supplies	245,313	-	27,640	272,953	246,956
Telephone	3,945	735	-	4,680	4,229
Utilities	29,451	1,123	562	31,136	30,018
Volunteer expense	3,729	-	-	3,729	11,709
Miscellaneous	1,521	2,106	3,141	6,768	6,564
TOTAL EXPENSES	\$ 2,123,143	\$ 149,875	\$ 374,949	\$ 2,647,967	\$ 2,909,580

See accompanying notes and auditor's report

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Mama's Kitchen is a not-for-profit organization incorporated on September 28, 1990 in California and providing services in San Diego County. It is governed by a Board of Directors who volunteer their services to the organization. Program services consist of free nutrition services that include home-delivered meals, grocery bags, and pantry services for persons affected by HIV/AIDS or cancer. The pantry service, called Mama's Pantry, started in February 2004. The Family Grocery Bag Program ended on January 31, 2009 and these clients were referred to the Pantry or Hot Meals programs. The organization's programs are funded by the Ryan White CARE Act, a federally funded program administered by the County of San Diego, the City of San Diego, grants from private and corporate foundations, and local community support. During the year, the organization delivered 375,723 meals, 122 grocery bags, and had 4,709 visits to Mama's Pantry. The Monday and Wednesday deliveries each consist of six meals, including one hot dinner and one frozen dinner. The Friday delivery consists of nine meals, including one hot dinner and two frozen dinners.

Income Taxes

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

Financial Statement Presentation and Basis of Accounting

The financial statements are prepared in accordance with the AICPA Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Contributions

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

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment acquisitions of \$1,000 or more are 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 depreciable assets and is computed using the straight-line method. Depreciation and amortization expense for the year ending December 31, 2009 is \$31,335.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary.

Expense Allocations

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

Compensated Absences

Employees of Mama's Kitchen are entitled to compensated absences depending on the length of service and other factors. Such absences consist of accrued vacation and sick time; the unused accrued vacation is payable upon termination or retirement. As of December 31, 2009, accrued vacation payable is \$35,792.

Cash and Cash Equivalents

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

Donated Services

The criteria for recognizing donated services in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, are if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The organization received approximately 29,507 volunteer hours for various services including food preparation, packaging and staging prepared meals, and home delivery to more than 564 men, women, and children at high risk of hunger and malnutrition; however, not all of these services met the criteria established by FASB No. 116 and therefore are not recorded in the financial statements.

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies (cont.)

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 December 31, 2009, inventory is valued at \$17,382.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Note 2 - Employee Benefit Plan:

Mama's Kitchen participates in a 401(k) deferred profit sharing plan (a defined contribution plan). All employees that have completed a minimum of 1,000 hours of service are eligible to participate in the plan. Contributions are made by Mama's Kitchen based upon each employee's contributions and eligibility. Participants are vested 100% after 5 years. Mama's Kitchen's contribution to this plan was \$19,376 for the year ended December 31, 2009.

Note 3 - Rental and Lease Agreements

Mama's Kitchen leases space located at 1875 2nd Avenue in San Diego, CA. The lease space is used for preparation, packaging and staging of the prepared meals and for administrative purposes. The lease term is for four years commencing August 1, 2006 and expiring July 31, 2010. Monthly rent is \$5,608, with annual increases of approximately 5%. In addition to rent, Mama's Kitchen agrees to pay 50% of all utilities and security.

Mama's Kitchen also leases space located at 4083 30th Street in San Diego, CA for Mama's Pantry. The lease term was originally for three years commencing June 1, 2004 and expiring June 30, 2007 and has been extended for four years through May 31, 2011. Monthly base rent is \$550 with an annual increase of 3%.

The minimum annual lease payments required under both leases are as follows:

Year ending December 31:

2010	52,479
2011	3,065
	<u>\$55,544</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 4 - Grants and Contracts Receivable

Contract receivables as of December 31, 2009 are \$36,585 of which \$16,756 is due from the County of San Diego - Health & Human Services Agency.

Note 5 - Prepaid Expenses and Deposits

Prepaid expenses and deposits as of December 31, 2009 are as follows:

Prepaid insurance	\$ 13,178
Software maintenance	3,222
Rent deposit	300
Software deposit	4,212
Vendor security deposit	5,000
Workers compensation deposit	<u>736</u>
 Total prepaid expenses and deposits	 <u>\$ 26,648</u>

Note 6 - Fund-raising and Special Events, Net

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

	<u>Mama's Day</u>	<u>Pie in the Sky</u>	<u>Wine Tasting</u>	<u>Total</u>
Special event revenue	\$ 35,550	\$ 16,245	\$ 8,015	\$ 59,810
Less: direct expenses	<u>(395)</u>	<u>(5,269)</u>	<u>(2,746)</u>	<u>(8,410)</u>
Special events, net	35,155	10,976	5,269	51,400
 Special event contributions	 110,779	 67,668	 6,685	 185,132
In-kind donations	187,350	29,460	12,952	229,761
Less: indirect expenses	<u>(187,329)</u>	<u>(39,398)</u>	<u>(19,025)</u>	<u>(245,751)</u>
 Total Fund-raising and Special events, net	 <u>\$145,955</u>	 <u>\$ 68,706</u>	 <u>\$ 5,881</u>	 <u>\$ 220,542</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 7 - Concentration of Revenue

Mama's Kitchen received approximately 16% of its total revenue from the County of San Diego for the AIDS Home Delivered Meals Program. While there is no imminent plan on the part of the government to discontinue these funds, the contracts are renewed on an annual basis depending on availability of funds.

Mama's Kitchen also received approximately 80% of its total revenue from fund-raising activities and contributions from private foundations and local community support.

Note 8 - Federal Allowances, Awards and Grants

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

Note 9 - Concentration of Risk and Uncertainties

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, Mama's Kitchen's did not have uninsured cash balances.

Note 10 - Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$287,591 for the year ending December 31, 2009. In-kind donations consist of the following:

Mama's Day	\$ 187,350
Pie in the Sky	29,460
Wine Tasting	12,952
Mama's Pantry/Food drives	40,721
Other various program & office supplies	<u>17,108</u>
Total Donations In-kind	<u>\$ 287,591</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 10 - Donations In-Kind & Donated Services (cont.)

Mama's Kitchen also received donated services valued at \$347,743 that met the criteria under SFAS No.116 as described in Note 1. Donated services consist of the following:

Professional Chefs	\$ 24,375
Delivery services*	309,333
Advertising	2,916
Legal services	6,030
Plumbing	327
Miscellaneous	<u>4,762</u>
 Total Donated Services	 <u>\$ 347,743</u>

*Delivery services include mileage for use of personal vehicles.

Note 11 - Investments

Investments are valued at fair value based upon quoted market prices. Income, gains and losses are reported in the statement of activities as increases or decreases in net assets. Investments at December 31, 2009 consist primarily of government securities, corporate bonds, and equities totaling \$1,933,868.

Investment return is summarized as follows:

	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Net realized and unrealized gain/(loss) on investment	\$ 171,806	\$	\$ 171,806
Less: investment fees	(23,689)		(23,689)
Interest and dividend income	<u>64,566</u>	<u>306</u>	<u>64,872</u>
 Total investment return	 <u>\$ 212,683</u>	 <u>\$ 306</u>	 <u>\$ 212,989</u>

Note 12 - Net Assets

Permanently restricted net assets consists of endowment fund contributions as follows:

Mama's Kitchen Endowment	\$ 24,000
The San Diego Foundation Endowment	<u>6,439</u>
 Total Permanently Restricted Net Assets	 <u>\$ 30,439</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 13 - 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 State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Mama's Kitchen classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Mama's Kitchen considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment Funds:

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

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

Permanently Restricted Net Assets

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 30,439</u>
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Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time Restriction under SPMIFA	<u>\$ -</u>
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Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 13 - Endowment Funds (cont.)

**Endowment Net Asset Composition by Type of Fund
as of December 31, 2009.**

<u>Endowment funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 119	\$ -	\$ 30,439	\$ 30,558
Total funds	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 30,439</u>	<u>\$ 30,558</u>

**Change in Endowment Net Assets
for the Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 161	\$ -	\$ 29,000	\$ 29,161
Reclassification adjustment per FSP No. FAS 117-1	(161)	1,600	1,439	1,439
Investment return:				
Brokerage fees	(26)	-	-	(26)
Net depreciation (realized and unrealized)	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
Total investment return	119	-	-	30,719
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(161)</u>	<u>-</u>	<u>(161)</u>
Endowment net assets, end of year	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 30,439</u>	<u>\$ 30,558</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2009

Note 13- Endowment Funds (cont.)

Endowment Investment Policies

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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