



Nourishing the Heart. One Meal at a Time.

Audited Financial Statements
December 31, 2007

Presented By

Douglas R. Ashbrook, CPA
San Diego, CA

**MAMA'S KITCHEN
TABLE OF CONTENTS
December 31, 2007**

	<u>Page Number</u>
Independent Auditor's Report on Financial Statements	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-11

Douglas R. Ashbrook, CPA

Auditing, Taxation, Consulting

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mama's Kitchen

I have audited the accompanying statement of financial position of Mama's Kitchen (a nonprofit organization) as of December 31, 2007, 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, 2007, 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 21, 2008

Douglas R. Ashbrook, CPA

MAMA'S KITCHEN
Statement of Financial Position
December 31, 2007
(With Comparative Totals for December 31, 2006)

ASSETS

	2007	2006
Cash and cash equivalents	\$ 529,424	\$ 495,640
Investments	2,198,214	2,153,149
Prepaid expenses and deposits	22,191	22,388
Grant contracts receivable	74,619	32,828
Inventory	11,610	15,987
Office & computer equipment	144,674	105,706
Kitchen equipment	130,185	124,765
Vehicles	23,858	23,858
Leasehold improvements	53,039	53,039
Less: accumulated depreciation	(265,031)	(213,560)
Intangible assets	13,761	-
Less: accumulated amortization	(2,523)	-
 Total Assets	 \$ 2,934,021	 \$ 2,813,800

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 22,182	\$ 14,745
Accrued payroll liabilities	20,030	18,555
Deferred revenue	15,000	15,000
Accrued vacation payable	36,933	27,927
 Total Liabilities	 94,145	 76,227

NET ASSETS:

Unrestricted	2,809,514	2,708,315
Permanently restricted	30,362	29,258
 Total Net Assets	 2,839,876	 2,737,573
 Total Liabilities and Net Assets	 \$ 2,934,021	 \$ 2,813,800

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Activities
For the Year Ending December 31, 2007
(With Comparative Totals for December 31, 2006)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2007</u>	<u>2006</u>
<u>REVENUE, GAINS AND SUPPORT:</u>				
CARE Act - Home delivered meals	\$ 447,017	\$	\$ 447,017	\$ 376,857
County of San Diego	-		-	25,000
Contributions	1,068,910	732	1,069,642	926,773
Donations in-kind	394,485		394,485	335,852
Donated services	195,043		195,043	81,223
Fundraising, net of direct expenses	276,015		276,015	315,733
Investment income	124,010	372	124,382	73,485
Miscellaneous	53,125		53,125	65,461
Net unrealized gain/(loss) on investments	76,028		76,028	85,269
TOTAL REVENUE, GAINS AND SUPPORT	<u>2,634,633</u>	<u>1,104</u>	<u>2,635,737</u>	<u>2,285,653</u>
 <u>EXPENSES:</u>				
Program services	1,993,309		1,993,309	1,690,895
<u>Supporting services:</u>				
Management and general	140,266		140,266	138,372
Fundraising	399,859		399,859	347,727
Total Supporting Services	<u>540,125</u>	<u>-</u>	<u>540,125</u>	<u>486,099</u>
TOTAL EXPENSES	<u>2,533,434</u>	<u>-</u>	<u>2,533,434</u>	<u>2,176,994</u>
 CHANGE IN NET ASSETS	 101,199	 1,104	 102,303	 108,659
NET ASSETS AT BEGINNING OF YEAR	<u>2,708,315</u>	<u>29,258</u>	<u>2,737,573</u>	<u>2,628,914</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,809,514</u>	 <u>\$ 30,362</u>	 <u>\$ 2,839,876</u>	 <u>\$ 2,737,573</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Cash Flows
For the Year Ending December 31, 2007
(With Comparative Totals for December 31, 2006)

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2007</u>	<u>2006</u>
Increase (Decrease) in Net Assets	\$ 102,303	\$ 108,659
<u>Adjustments to reconcile change in net assets to net cash provided / (used) by operating activities:</u>		
Depreciation and amortization	53,994	46,433
Unrealized (gain)/loss on investments	(76,028)	(85,269)
<u>(Increase) / Decrease in:</u>		
Contracts receivable	(41,791)	9,652
Prepaid expenses and deposits	197	2,070
Inventory	4,377	4,042
<u>Increase / (Decrease) in:</u>		
Accrued vacation payable	9,006	4,777
Accounts payable	7,437	12,539
Deferred revenue	-	15,000
Accrued payroll liabilities	1,475	(1,186)
Net cash provided (used) by operating activities	<u>60,970</u>	<u>116,717</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(2,443,852)	(2,058,175)
Proceeds from sale of investments	2,474,815	2,093,047
Purchase of property and equipment	(58,149)	(20,341)
Net cash provided (used) in investing activities	<u>(27,186)</u>	<u>14,531</u>
Net increase(decrease) in cash and cash equivalents	33,784	131,248
Cash and cash equivalents at beginning of year	<u>495,640</u>	<u>364,392</u>
Cash and cash equivalents at end of year	<u>\$ 529,424</u>	<u>\$ 495,640</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Functional Expenses
For the Year Ending December 31, 2007
(With Comparative Totals for December 31, 2006)

	SUPPORTING SERVICES			2007 Total	2006 Total
	Program Services	Management & General	Fund- Raising		
Salaries and wages	\$ 316,501	\$ 83,477	\$ 107,494	\$ 507,472	\$ 463,064
Payroll taxes	25,492	6,402	8,870	40,764	38,387
Employee benefits	21,955	7,912	8,464	38,331	36,048
TOTAL SALARY AND RELATED EXPENSE	363,948	97,791	124,828	586,567	537,499
Food costs	940,176	-	-	940,176	765,006
Food costs-In-kind	38,097	-	-	38,097	39,118
Advertising & promotion	1,944	-	49,632	51,576	52,712
Auto expense	3,376	-	-	3,376	3,872
Bank fees	-	13,272	-	13,272	11,617
Cleaning supplies	3,570	-	-	3,570	2,261
Client expense	14,799	-	-	14,799	12,167
Contract services	-	-	1,596	1,596	11,681
Depreciation and amortization	50,228	2,501	1,265	53,994	46,433
Direct mail	-	-	42,090	42,090	44,731
Donor expense	-	-	1,256	1,256	6,969
Donated services	74,534	-	120,509	195,043	81,223
In-Kind expense	320,569	-	-	320,569	296,735
Insurance	17,097	3,990	1,357	22,444	23,778
Investment advisory fees	28,638	-	-	28,638	38,110
Kitchen supplies	604	-	-	604	1,008
Legal & professional	2,350	2,350	-	4,700	4,700
Memberships & dues	1,675	1,359	1,814	4,848	3,427
Newsletter & annual report	-	-	22,965	22,965	23,665
Office expense	16,159	6,008	3,542	25,709	12,864
Printing & postage	800	575	14,559	15,934	11,718
Professional development	1,695	1,215	9,570	12,480	13,033
Program development & market research	366	-	-	366	4,500
Rent	64,837	6,864	3,432	75,133	71,700
Repairs	5,550	-	-	5,550	5,292
Telephone	3,527	765	-	4,292	4,519
Utilities	27,806	843	421	29,070	29,112
Volunteer expense	8,672	-	-	8,672	10,020
Miscellaneous	2,292	2,733	1,023	6,048	7,524
TOTAL EXPENSES	\$ 1,993,309	\$ 140,266	\$ 399,859	\$ 2,533,434	\$ 2,176,994

See accompanying notes and auditor's report

Mama's Kitchen
Notes to Financial Statements
December 31, 2007

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 other critical illnesses. The pantry service, called Mama's Pantry, started in February 2004. 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 319,323 meals, 2,703 grocery bags, and had 3,237 visits to Mama's Pantry. The weekday meal deliveries are made in the afternoon and contain a hot dinner for that evening and a breakfast and lunch for the following day. The Friday deliveries include food for the weekend.

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, 2007

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, 2007 is \$53,994.

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 unused vacation and any unused portion thereof is payable upon termination or retirement. As of December 31, 2007, accrued vacation payable is \$36,933.

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 32,454 volunteer hours for various services including food preparation, packaging and staging prepared meals, and home delivery to more than 576 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, 2007

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, 2007, inventory is valued at \$11,610.

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, 2006, 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 \$12,164 for the year ended December 31, 2007.

Note 3 - Investments

Investments are valued at fair value based upon quoted market prices. Income, gains and losses are reported in the statement of activities as increases or decreases in net assets. Investments at December 31, 2007 consist primarily of government securities, corporate bonds, and equities totaling \$2,198,214.

Investment return is summarized as follows:

	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Interest and dividend income	\$ 74,766	\$ 374	\$ 75,140
Net realized gain/(loss) on investment	49,242		49,242
Net unrealized gain/(loss) on investment	76,028		76,028
Less: investment fees	<u>(28,488)</u>	<u>(150)</u>	<u>(28,638)</u>
Total gain on investments	<u>\$ 171,548</u>	<u>\$ 224</u>	<u>\$ 171,772</u>

Note 4 - Grants and Contracts Receivable

Contract receivables as of December 31, 2007 are \$74,619 due from the County of San Diego - Health & Human Services Agency.

Mama's Kitchen
Notes to Financial Statements
December 31, 2007

Note 5 - Net Assets

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

Endowment fund-opening balance	\$ 24,000
The San Diego Foundation Endowment	<u>6,362</u>
Total Permanently Restricted Net Assets	<u><u>\$ 30,362</u></u>

Note 6 - Prepaid Expenses and Deposits

Prepaid expenses and deposits as of December 31, 2007 are as follows:

Prepaid insurance	\$ 12,093
Software maintenance	4,086
Rent deposit	300
Vendor security deposit	5,000
Workers compensation deposit	<u>712</u>
Total prepaid expenses and deposits	<u><u>\$ 22,191</u></u>

Note 7 - 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 two years through May 31, 2009. Monthly base rent is \$550 with an annual increase of 3%.

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

Years ending December 31:	
2008	\$ 78,686
2009	78,401
2010	<u>45,339</u>
	<u><u>\$ 260,254</u></u>

**Notes to Financial Statements
December 31, 2007**

Note 8 - Concentration of Revenue

Mama's Kitchen received approximately 19% 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 60% of its total revenue from fund-raising activities and contributions from private foundations and local community support.

Note 9 - 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 10 - Concentration of Risk and Uncertainties

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, Mama's Kitchen's uninsured cash balances total \$291,539. Management believes the risk of loss is remote.

Note 11 - Fund-raising Events

	<u>Revenue</u>	Direct <u>Expenses</u>	<u>Net</u>
Mama's Day	\$ 178,375	\$ 41,156	\$ 137,219
Pie in the Sky	85,192	17,525	67,667
Tree of Life	20,913	10,217	10,696
Pick Up Events	41,189	-	41,189
Fairs/Merchandise	751	906	(155)
Co-sponsored	<u>51,120</u>	<u>31,721</u>	<u>19,399</u>
Total	<u>\$ 377,540</u>	<u>\$ 101,525</u>	<u>\$ 276,015</u>

Note 12 - Deferred Revenue

Deferred revenue as of December 31, 2007 is \$15,000 consisting of an advance payment from a grant contract for the Critical Illness Nutrition Program to hire an Outreach Coordinator.

Mama's Kitchen
Notes to Financial Statements
December 31, 2007

Note 12 - Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$394,485 for the year ending December 31, 2007. In-kind donations consist of the following:

Mama's Day	\$ 255,181
Pie in the Sky	17,235
Other special events	28,068
Mama's Pantry	34,874
Grocery bags & hot meal program	3,223
Office equipment and supplies	42,619
Other various program & office supplies	<u>13,285</u>
 Total Donations In-kind	 <u><u>\$ 394,485</u></u>

Mama's Kitchen also received donated services valued at \$195,043 that met the criteria under SFAS No. 116 as described in Note 1. Donated services consist of the following:

Advertising	\$ 99,769
Delivery services*	74,534
Graphic design	9,650
Website design	11,000
Printing	<u>90</u>
 Total Donated Services	 <u><u>\$ 195,043</u></u>

*Delivery services include mileage for use of personal vehicles.

Note 13 - Charitable Remainder Trusts

Mama's Kitchen is the irrevocably designated charitable organization that will receive the principal and income of a charitable remainder unitrust upon death of the original trustee and the successor trustee. The original trustee and the successor trustee have the use of the annual income of the trust. This amount is limited to 8% of the fair market value of the trust as valued at the beginning of the year.

Due to the inability to determine the date of receipt of the principal or to calculate the future value at an unknown date, the net present value of the trust can not be determined.