



Nourishing the Heart. One Meal at a Time.

**Audited Financial Statements  
December 31, 2012**

Presented By

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

**MAMA'S KITCHEN**  
**TABLE OF CONTENTS**  
**December 31, 2012**

	<u>Page Number</u>
Independent Auditor's Report on Financial Statements	1-1a
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-16

# ***Douglas R. Ashbrook, CPA***

**Auditing, Taxation, Consulting**

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

---

## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of Mama's Kitchen (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

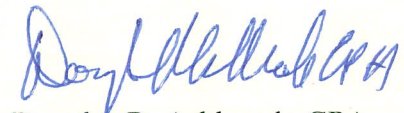
**Opinion**

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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

I have previously audited Mama's Kitchen 2011 financial statements, and my report dated July 5, 2012, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 18, 2013

  
Douglas R. Ashbrook, CPA

**MAMA'S KITCHEN**  
**Statement of Financial Position**  
**December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

ASSETS

	2012	2011
Cash and cash equivalents	\$ 388,976	\$ 319,940
Investments	849,093	715,299
Investments - pledged	450,760	500,825
Prepaid expenses and deposits	22,065	20,381
Grants, contracts, & misc. receivables - net	54,801	79,849
Inventory	13,958	17,106
Pledges receivable - net	268,407	225,497
Office & computer equipment	168,421	146,127
Kitchen equipment	245,044	239,007
Vehicles	23,858	23,858
Land	176,700	176,700
Building & building improvements	2,189,587	2,188,314
Less: accumulated depreciation	(331,135)	(191,645)
Intangible assets	37,291	37,291
Less: accumulated amortization	(22,242)	(18,659)
Total Assets	\$ <u>4,535,584</u>	\$ <u>4,479,890</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 86,016	\$ 6,923
Line of credit	450,760	500,874
Accrued payroll liabilities	27,898	29,066
Deferred revenue	30,000	20,000
Accrued vacation payable	46,833	56,751
Mortgage payable	1,322,986	1,344,000
Total Liabilities	<u>1,964,493</u>	<u>1,957,614</u>

NET ASSETS:

Unrestricted	2,536,063	2,488,452
Permanently restricted	<u>35,028</u>	<u>33,824</u>
Total Net Assets	<u>2,571,091</u>	<u>2,522,276</u>
Total Liabilities and Net Assets	\$ <u>4,535,584</u>	\$ <u>4,479,890</u>

See accompanying notes and auditor's report

**MAMA'S KITCHEN**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>	<u>2011</u>
County of San Diego-Ryan White	\$ 258,108	\$ -	\$ -	\$ 258,108	\$ 286,327
County of San Diego-HOPWA	180,129	-	-	180,129	118,845
CDBG City Grant	53,140	-	-	53,140	-
Contributions	1,280,964	-	1,204	1,282,168	1,128,018
Contributions-Special Events	336,657	-	-	336,657	337,539
Capital projects, net of discount	-	387,386	-	387,386	569,669
Donations in-kind	374,826	-	-	374,826	220,756
Donated services and facilities	332,529	-	-	332,529	363,176
Special events, net of direct expenses	8,938	-	-	8,938	4,833
Investment income	46,749	-	-	46,749	44,116
Net realized and unrealized gain on investments	90,456	-	-	90,456	2,122
Released from restriction by payment	387,386	(387,386)	-	-	-
Total Revenue, Gains, and Other Support	3,349,882	-	1,204	3,351,086	3,075,401
<u>EXPENSES AND LOSSES:</u>					
Program services	2,318,700	-	-	2,318,700	2,028,234
Management and general	109,225	-	-	109,225	138,157
Fundraising	874,346	-	-	874,346	749,029
Total Expenses	3,302,271	-	-	3,302,271	2,915,420
Net loss on disposition of assets	-	-	-	-	(4,965)
Total Expenses and Losses	3,302,271	-	-	3,302,271	2,920,385
Change in Net Assets	47,611	-	1,204	48,815	155,016
Net Assets, Beginning of Year	2,488,452	-	33,824	2,522,276	2,367,260
Net Assets, End of Year	\$ 2,536,063	\$ 0	\$ 35,028	\$ 2,571,091	\$ 2,522,276

See accompanying notes and auditor's report

**MAMA'S KITCHEN**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Increase (Decrease) in Net Assets	\$ 48,815	\$ 155,016
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Bad debt expense	22,400	-
Depreciation and amortization	144,689	58,735
(Gain)/loss on investments	(90,456)	(2,122)
(Gain)/loss on disposition of assets	-	4,965
<u>(Increase)/Decrease in:</u>		
Grants, contracts, and misc. receivables	25,048	(14,564)
Prepaid expenses and deposits	(1,684)	72,519
Pledges receivable - net	(42,910)	(151,766)
Inventory	3,148	(3,587)
<u>Increase/(Decrease) in:</u>		
Accrued vacation payable	(9,918)	14,326
Accounts payable	79,093	(19,550)
Deferred revenue	10,000	-
Accrued payroll liabilities	(1,168)	1,568
Net cash provided/(used) by operating activities	187,057	115,540
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of investments	(491,843)	(693,758)
Proceeds from sale of investments	474,554	1,445,502
Purchase of property and equipment	(29,604)	(2,620,738)
Net cash provided/(used) by investing activities	(46,893)	(1,868,994)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Long-term borrowings	(21,014)	1,344,000
Line of credit advances	(50,114)	500,874
Net cash provided/(used) in financing activities	(71,128)	1,844,874
Net increase(decrease) in cash and cash equivalents	69,036	91,420
Cash and cash equivalents at beginning of year	319,940	228,520
Cash and cash equivalents at end of year	\$ <u>388,976</u>	\$ <u>319,940</u>
 <b><u>Supplemental Disclosures:</u></b>		
Cash payments for interest	\$ <u>84,556</u>	\$ <u>49,869</u>

See accompanying notes and auditor's report

**MAMA'S KITCHEN**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

	Program Services	SUPPORTING SERVICES		2012 Total	2011 Total
		Management & General	Fund- Raising		
Salaries and wages	\$ 314,971	\$ 58,095	\$ 218,646	\$ 591,712	\$ 554,608
Payroll taxes	26,175	5,061	19,223	50,459	45,593
Employee benefits	30,604	5,244	17,178	53,026	46,137
<b>TOTAL SALARY AND RELATED EXPENSE</b>	<b>371,750</b>	<b>68,400</b>	<b>255,047</b>	<b>695,197</b>	<b>646,338</b>
Food and packaging costs (net)	1,256,141	-	-	1,256,141	1,067,794
Food costs - in-kind	33,207	-	-	33,207	39,300
Advertising, printing & publications	497	-	43,003	43,500	45,492
Bad Debt	-	-	22,400	22,400	-
Bank/Credit Card Fees	-	-	17,838	17,838	19,408
Client expense	10,121	-	-	10,121	4,211
Depreciation and amortization	115,506	11,615	17,568	144,689	58,735
Direct mail	-	-	65,685	65,685	80,146
Donor cultivation	-	-	5,275	5,275	5,573
Donated services, facilities and in-kind	328,396	-	340,557	668,953	544,631
Information technology	5,687	1,528	9,651	16,866	17,094
Insurance	19,876	3,018	-	22,894	23,384
Interest expense	67,794	8,381	8,381	84,556	25,812
Investment advisory fees	16,930	-	-	16,930	19,291
Legal & professional	5,000	5,156	76,046	86,202	146,322
Memberships, subscriptions, prof. development	795	1,900	1,674	4,369	8,473
Occupancy	68,692	3,957	4,056	76,705	138,301
Office expense	7,587	4,958	6,521	19,066	16,060
Vehicle expense	3,433	-	-	3,433	3,713
Volunteer expense	6,648	-	-	6,648	2,853
Miscellaneous	640	312	644	1,596	2,489
<b>TOTAL EXPENSES</b>	<b>\$ 2,318,700</b>	<b>\$ 109,225</b>	<b>\$ 874,346</b>	<b>\$ 3,302,271</b>	<b>\$ 2,915,420</b>

See accompanying notes and auditor's report

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 1 – Organization and Summary of Significant Accounting Policies**

Nature of Activities

Mama's Kitchen (the Organization) is a not-for-profit organization incorporated on September 28, 1990 in California and providing services in San Diego County. It is governed by a Board of Directors who volunteer their services to the Organization. Program services are provided at no cost and consist of home-delivered meals for persons affected by AIDS or cancer and pantry services for persons affected by HIV/AIDS. The pantry service, called Mama's Pantry, started in February 2004. The Organization's programs are funded by the Ryan White HIV/AIDS Extension Treatment Act and the Housing Opportunities for Persons with AIDS (HOPWA) Program (both federally funded programs administered by the County of San Diego), a Community Development Block Grant (CDBG) administered by the City of San Diego, grants from private and corporate foundations, and local community support. During the year, the Organization delivered 377,880 meals and had 5,390 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 FASB ASC 958 *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Contributions and Promises to Give

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

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

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

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

Property, Equipment and Intangible Assets

Property and equipment acquisitions of \$1,000 or more are capitalized and recorded at cost when purchased. The fair market value of donated fixed assets is similarly capitalized. Depreciation and amortization are provided over the estimated useful life of each class of assets (3 to 30 years) and is computed using the straight-line method. Depreciation and amortization expense for the year ended December 31, 2012 was \$144,689.

Estimates

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

Functional Allocation of Expenses

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

Compensated Absences

Employees of Mama's Kitchen are entitled to compensated absences depending on the length of service and other factors. Such absences consist of accrued vacation and sick time; the unused accrued vacation is payable upon termination or retirement. As of December 31, 2012, accrued vacation payable was \$46,833.

Cash and Cash Equivalents

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

Donated Services

The criteria for recognizing donated services in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, are if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received approximately 33,806 donated hours from 846 volunteers for various services including food preparation, packaging and staging prepared meals, home delivery and pantry services to more than 1,400 men, women, and children at high risk of hunger and malnutrition; however, not all of these services met the criteria established by FASB ASC 958 and therefore are not recorded in the financial statements.

Inventory

The inventory consisted of meal containers, dry and frozen foods, and other food products. Inventory is valued using the First-In-First-Out (FIFO) method. As of December 31, 2012, inventory was valued at \$13,958.

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, 2011, from which the summarized information was derived.

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 2 - 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, 2012 consist primarily of government securities, corporate bonds, and equities totaling \$1,299,853.

Net realized and unrealized gain/(loss) on investment	\$	90,456
Less: investment fees		(16,930)
Interest and dividend income		46,749
Total investment return	\$	<u>120,275</u>

**Note 3 - Fair Value of Investments**

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

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

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

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

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

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

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

Fair Value Measurement at December 31, 2012, Using:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash on Hand and in Bank	\$ 388,976	\$ 388,976	\$ -	\$ -
Merrill Lynch Investments				
Cash Portfolio	70,842	70,842	-	-
Total Cash	<u>\$ 459,818</u>	<u>\$ 459,818</u>	<u>\$ -</u>	<u>\$ -</u>

Investments at December 31, 2012 consisted of the following:

Merrill Lynch Investment Accounts				
Fixed Income Investments	\$ 421,645	\$ 421,645	\$ -	\$ -
Equities	546,083	546,083	-	-
Mutual Funds	250,255	250,255	-	-
San Diego Foundation				
Endowment, Balanced Pool	11,028	-	11,028	-
Total Investments	<u>\$ 1,229,011</u>	<u>\$ 1,217,983</u>	<u>\$ 11,028</u>	<u>\$ -</u>
Total Cash and Investments	<u>\$ 1,688,829</u>	<u>\$ 1,677,801</u>	<u>\$ 11,028</u>	<u>\$ -</u>

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. Of the investments held at Merrill Lynch various accounts are held as collateral for the revolving line of credit discussed in Note 6. The account value for the accounts held as collateral totaled \$1,014,181 as of December 31, 2012.

**Note 4 - Prepaid Expenses and Deposits**

Prepaid expenses and deposits as of December 31, 2012 were as follows:

Prepaid insurance	\$ 11,881
Software maintenance	3,432
Water deposit	532
Vendor security deposit	5,000
Workers compensation deposit	1,220
Total prepaid expenses / deposits	<u>\$ 22,065</u>

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 5 - Grants, Contracts, and Miscellaneous Receivables**

Receivables as of December 31, 2012 were \$54,801 of which \$41,070 was due from the County of San Diego - Health & Human Services Agency and \$11,722 was due from the City of San Diego.

**Note 6 - Pledges Receivable**

Mama's Kitchen is working to raise awareness coupled with a fund-raising campaign for a purchased building to accommodate increased demand for its programs and the ultimate growth of the Organization. As of December 31, 2012, pledges to the capital campaign have been secured that have a present value of \$280,807 at inception; these pledges are unconditional and due \$94,671 in 2013 and \$222,377 over the following four years. Promises to give to be received after 2013 are discounted at 3.25%. The unamortized discount on promises to give at inception is \$36,241. Net pledges Receivable at December 31, 2012 are \$268,407 which is net of a reserve for doubtful pledges of \$12,400. This reserve was established based on management's experience with respect to specific pledges.

**Note 7 - Deferred Revenue**

Deferred Revenue as of December 31, 2012 of \$30,000 represents two grants received in 2012 that are specifically designated by the grantors to fund 2013 programs.

**Note 8 - Revolving Line of Credit**

The Organization has a \$500,000 revolving line of credit, of which \$450,000 was used at December 31, 2012. The balance shown on the Statement of Financial Position of \$450,760 includes accrued interest of \$760. Bank advances on the credit line are payable on demand and carry a variable interest rate (1.95970% APR at December 31, 2012). The credit line is secured by various investment accounts also held at Merrill Lynch which total \$1,014,181 as of December 31, 2012.

**Note 9 - Long Term Debt and Purchase of Building**

Mama's Kitchen finalized the purchase of its new building located at 3960 Home Avenue, San Diego, CA on February 18, 2011, and completed extensive renovations to construct its new kitchen, offices and pantry and began operating from its new facilities on August 29, 2011.

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 9 - Long Term Debt and Purchase of Building (cont.)**

Long term debt at December 31, 2012, was comprised of:

Mortgage note payable to Torrey Pines Bank, interest at 5.556%, interest only for the first 12 months at approximately \$6,430 per month. Effective March 2012, monthly payments of \$8,363 through January, 2020 with a balloon payment in the amount of approximately \$1,056,145 collateralized by real property.   \$ 1,322,986

Maturities of long-term debt subsequent to December 31, 2012, are as follows:

<u>Years ending</u> <u>December 31</u>	<u>Amount</u>
2013	\$ 26,506
2014	28,038
2015	29,669
2016	31,765
2017	33,904
Thereafter	<u>1,173,104</u>
Total	<u>\$ 1,322,986</u>

**Note 10 - Net Assets**

Permanently restricted net assets as of December 31, 2012 consisted of endowment fund contributions as follows:

Mama's Kitchen Endowment	\$ 24,000
The San Diego Foundation Endowment	<u>11,028</u>
Total Permanently Restricted Net Assets	<u>\$ 35,028</u>

**Note 11 - Endowment Funds**

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

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 11 - Endowment Funds (cont.)**

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

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

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

**Permanently Restricted Net Assets**

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 35,028</u>
--	------------------

**Temporarily Restricted Net Assets**

The portion of perpetual endowment funds subject to a time restriction under UPMIFA	<u>\$ -</u>
---	-------------

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 11 - Endowment Funds (cont.)**

**Endowment Net Asset Composition by Type of Fund as of December 31, 2012**

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>35,028</u>	\$ <u>35,028</u>

**Change in Endowment Net Assets for the Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 295	\$	\$ 33,824	\$ 34,119
Endowments Received	1,000			1,000
Investment Return:				
Brokerage Fees	(53)			(53)
Net income (realized and unrealized)	<u>-</u>	<u>-</u>	<u>1,312</u>	<u>1,312</u>
Total Investment Return	(53)	-	1,312	1,259
Appropriation of endowment assets for expenditure	<u>(1,349)</u>			<u>(1,349)</u>
Endowment net assets (deficit), end of year	\$ <u>(107)</u>	\$ <u>-</u>	\$ <u>35,135</u>	\$ <u>35,028</u>

**Endowment Investment Policies**

**Return Objectives and Risk Parameters**

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

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 11 - Endowment Funds (cont.)**

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

**Strategies Employed for Achieving Objectives**

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

**Note 12 - Concentration of Revenue**

Mama's Kitchen received approximately 14.66% of its total revenue from local government agencies for the AIDS Home Delivered Meals Program. While there is no imminent plan on the part of the government to discontinue these funds, the contracts are renewed on an annual basis depending on availability of funds.

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

**Note 13 - Fund-raising and Special Events, Net**

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

	Mama's Day	Pie in the Sky	Other Events	Total
Special events revenue	\$ 30,375	\$ 15,863	\$ 8,559	\$ 54,796
Less: direct expenses	(14,779)	(20,130)	(10,949)	(45,858)
Net	15,596	(4,267)	(2,390)	8,938
Special events contributions	176,204	107,193	53,260	336,657
In-Kind donations	252,776	20,164	52,992	325,932
Less: indirect expenses	(28,864)	(28,074)	(27,183)	(84,121)
Net	400,116	99,283	79,068	578,467
Total Fund-raising and Special events	\$ 415,712	\$ 95,016	\$ 76,678	\$ 587,406

**Note 14 - Donations In-Kind & Donated Services**

Mama's Kitchen received in-kind donations valued at \$374,826 for the year ended December 31, 2012. In-kind donations of goods consisted of the following:

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 14 - Donations In-Kind & Donated Services (cont.)**

Mama's Day	\$ 252,776
Pie in the Sky	20,164
Other Special Events	52,992
Mama's Pantry/Food drives	33,207
Other programs & office supplies	10,493
Subtotal	<u>369,631</u>
Fixed Asset Donation	5,195
Total Donations In-kind	<u>\$ 374,826</u>

Mama's Kitchen also received donated services and facilities valued at \$ 332,529 that met the criteria under FASB ASC 958 as described in Note 1. Donated services consist of the following:

Professional Chefs	\$ 3,693
Delivery Services*	326,336
Facility Rental	1,000
Airtime & Web	1,500
Total Donated Services	<u>\$ 332,529</u>

\*Delivery services include mileage for use of personal vehicles.

**Note 15 - Employee Benefit Plan:**

Mama's Kitchen sponsors in a 401(k) profit sharing plan (a defined contribution plan). All employees are eligible to participate on the first of the month commensurate with or next following their date of hire. Employer contributions are a match based on each participant's salary deferrals. Participants are 100% vested in the employer contributions after completing five years of employment in which they have performed at least 1,000 hours of service. Mama's Kitchen's contribution to this plan was \$13,828 for the year ended December 31, 2012.

**Note 16 - Concentration of Risk and Uncertainties**

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012, Mama's Kitchen's had uninsured cash balances in Wells Fargo in the amount of \$41,343.

**Note 17 - Federal Allowances, Awards and Grants**

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

**Mama's Kitchen**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 18 – Subsequent Events**

Management has evaluated subsequent events through June 18, 2013, the date the financial statements were available to be issued.