

MAMA'S KITCHEN

a Non-Profit Organization,

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

For the Years Ended June 30, 2023 and 2022

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MAMA'S KITCHEN
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INDEPENDENT AUDITOR'S REPORT

To the Mama's Kitchen Board of Directors:

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mama's and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mama's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary 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, 2023 dated December 8, 2023, 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

December 8, 2023
San Diego, California

MAMA'S KITCHEN
A Not-for-Profit Organization
Statements of Financial Position
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 666,924	\$ 1,052,489
Investments in marketable securities available for sale	8,153,126	7,826,832
Accounts receivable - net	705,228	1,030,845
Inventory	165,105	93,312
Prepaid expenses	46,384	46,737
Pledges receivable - current portion	-	1,591
Total current assets	<u>9,736,767</u>	<u>10,051,806</u>
Long-term investments	43,632	43,103
Grants receivable	370,000	-
Deposits	118,490	154,737
Property and equipment - net	2,069,608	1,553,174
Other assets - net	<u>149,518</u>	<u>159,718</u>
Total Assets	<u><u>\$ 12,488,015</u></u>	<u><u>\$ 11,962,538</u></u>
<u>Liabilities and Net Assets:</u>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 281,795</u>	<u>\$ 225,032</u>
Total liabilities	<u>281,795</u>	<u>225,032</u>
Net Assets:		
Without donor restrictions	11,010,945	11,166,741
With donor restrictions	<u>1,195,275</u>	<u>570,765</u>
Total net assets	<u>12,206,220</u>	<u>11,737,506</u>
Total Liabilities and Net Assets	<u><u>\$ 12,488,015</u></u>	<u><u>\$ 11,962,538</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
Government Revenues:			
County of San Diego - Ryan White	\$ 547,219	\$ -	\$ 547,219
County of San Diego - HOPWA	190,694	-	190,694
Cities (Other) - CDBG	33,950	-	33,950
Other Governmental Grants	192,104	-	192,104
Non-Government	400,198	-	400,198
Total Contract Revenues	1,364,165	-	1,364,165
Contributions	2,432,802	1,188,794	3,621,596
Donation in-kind	363,091	-	363,091
Donated services	575,216	-	575,216
Special events, net of direct expenses	(21,307)	-	(21,307)
Released from restriction by payment	564,813	(564,813)	-
Total Revenue and Other Support	5,278,780	623,981	5,902,761
EXPENSES:			
Program services	4,997,874	-	4,997,874
Management and general	340,879	-	340,879
Fundraising	662,337	-	662,337
Total Expenses	6,001,090	-	6,001,090
Change in Net Assets Before Non-operating Activities	(722,310)	623,981	(98,329)
NON-OPERATING ACTIVITIES:			
Investment income	200,540	-	200,540
Net realized and unrealized gain on investments	365,974	529	366,503
Total Non-Operating Activities	566,514	529	567,043
Change in Net Assets	(155,796)	624,510	468,714
Net Assets, Beginning of Year	11,166,741	570,765	11,737,506
Net Assets, End of Year	\$ 11,010,945	\$ 1,195,275	\$ 12,206,220

See accompanying notes to financial statements.

MAMA'S KITCHEN
A Not-for-Profit Organization
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT:			
Contract Revenues:			
Government Revenues:			
County of San Diego - Ryan White	\$ 553,144	\$ -	\$ 553,144
County of San Diego - HOPWA	186,584	-	186,584
City of San Diego - CDBG	135,439	-	135,439
Cities (Other) - CDBG	21,256	-	21,256
Non-Government	1,762,258	-	1,762,258
Total Contract Revenues	<u>2,658,681</u>	<u>-</u>	<u>2,658,681</u>
Contributions	5,720,498	696,194	6,416,692
Donation in-kind	10,350		10,350
Donated services	552,384		552,384
Special events, net of direct expenses	(41,352)		(41,352)
Released from restriction by payment	240,032	(240,032)	-
Total Revenue and Other Support	<u>9,140,593</u>	<u>456,162</u>	<u>9,596,755</u>
EXPENSES:			
Program services	4,289,878	-	4,289,878
Management and general	335,029	-	335,029
Fundraising	652,367	-	652,367
Total Expenses	<u>5,277,274</u>	<u>-</u>	<u>5,277,274</u>
Change in Net Assets Before Non-operating Activities	3,863,319	456,162	4,319,481
NON-OPERATING ACTIVITIES:			
Investment income	146,330	-	146,330
Net realized and unrealized loss on investments	(965,436)	(1,178)	(966,614)
Total Non-Operating Activities	<u>(819,106)</u>	<u>(1,178)</u>	<u>(820,284)</u>
Change in Net Assets	3,044,213	454,984	3,499,197
Net Assets, Beginning of Year	<u>8,122,528</u>	<u>115,781</u>	<u>8,238,309</u>
Net Assets, End of Year	<u>\$ 11,166,741</u>	<u>\$ 570,765</u>	<u>\$ 11,737,506</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, 2023

	Program Services	SUPPORTING SERVICES		Total
		Management & General	Fundraising	
Salaries and wages	\$ 1,441,113	\$ 159,228	\$ 384,432	\$ 1,984,773
Payroll taxes	111,317	11,744	29,826	152,887
Employee benefits	64,358	49,030	12,258	125,646
Total Salary and Related Expense	1,616,788	220,002	426,516	2,263,306
Food and packaging costs (net)	2,222,968	-	-	2,222,968
Advertising, printing & publications	56	6	49,285	49,347
Bank/Credit card fees	9,794	1,700	24,905	36,399
Client expense	46,515	-	-	46,515
Depreciation and amortization	125,358	8,807	23,410	157,575
Direct mail	-	-	27,211	27,211
Donor cultivation	-	-	2,375	2,375
Donated services & in-kind	596,006	-	19,593	615,599
Information technology	68,393	13,034	26,969	108,396
Insurance	46,438	12,953	7,695	67,086
Investment advisory fees	17,546	17,545	17,545	52,636
Legal and professional	7,667	35,739	1,150	44,556
Memberships, subscriptions, professional development	7,788	9,241	5,709	22,738
Occupancy	169,948	13,398	19,524	202,870
Office expense	19,652	3,098	5,767	28,517
Vehicle expense	4,864	-	-	4,864
Volunteer expense	25,729	1,089	440	27,258
Miscellaneous	12,364	4,267	4,243	20,874
Total Expenses	<u>\$ 4,997,874</u>	<u>\$ 340,879</u>	<u>\$ 662,337</u>	<u>\$ 6,001,090</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, 2022

	Program Services	SUPPORTING SERVICES		Total
		Management & General	Fundraising	
Salaries and wages	\$ 1,180,875	\$ 179,872	\$ 340,131	\$ 1,700,878
Payroll taxes	93,676	14,862	27,310	135,848
Employee benefits	68,926	6,895	28,786	104,607
Total Salary and Related Expense	1,343,477	201,629	396,227	1,941,333
Food and packaging costs (net)	1,922,595	-	-	1,922,595
Advertising, printing & publications	-	-	44,725	44,725
Bank/Credit card fees	-	-	33,752	33,752
Client expense	28,400	-	-	28,400
Depreciation and amortization	107,440	13,718	22,064	143,222
Direct mail	-	-	23,244	23,244
Donor cultivation	-	-	4,834	4,834
Donations - in-kind	10,350	-	-	10,350
Donated services & in-kind	520,767	149	30,775	551,691
Information technology	56,702	13,085	27,219	97,006
Insurance	36,881	5,900	7,690	50,471
Investment advisory fees	15,924	15,924	15,924	47,772
Legal and professional	24,831	29,119	3,769	57,719
Memberships, subscriptions, professional development	11,645	11,972	7,689	31,306
Occupancy	154,753	16,026	23,452	194,231
Office expense	16,836	4,952	5,799	27,587
Vehicle expense	5,459	-	-	5,459
Volunteer expense	16,114	2,124	558	18,796
Miscellaneous	17,704	20,431	4,646	42,781
Total Expenses	<u>\$ 4,289,878</u>	<u>\$ 335,029</u>	<u>\$ 652,367</u>	<u>\$ 5,277,274</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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 468,714	\$ 3,499,197
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	157,575	143,222
Investments in marketable securities available for sale	365,974	(1,066,974)
Loss on sale of donated assets	-	3,925
(Increase) Decrease in:		
Accounts receivable - net	325,617	(675,003)
Prepaid expenses and other	353	(45,850)
Pledges receivable - net	1,591	2,500
Inventory	(71,793)	7,170
Deposits	36,247	1,000
Long-term investments	(529)	1,178
Grants Receivable	(370,000)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	56,763	(7,935)
Net cash provided by operating activities	<u>970,512</u>	<u>1,862,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments in marketable securities available for sale	(2,446,998)	(3,014,084)
Proceeds from sale of investments in marketable securities available for sale	1,754,739	1,662,429
Proceeds from sale of donated artwork	-	3,000
Purchase of property and equipment	(663,818)	(32,110)
Purchase of other assets	-	(30,600)
Net cash used in investing activities	<u>(1,356,077)</u>	<u>(1,411,365)</u>
 Net (Decrease) Increase in Cash and Cash Equivalents	 (385,565)	 451,065
 Cash and cash equivalents, beginning of the year	 <u>1,052,489</u>	 <u>601,424</u>
 Cash and cash equivalents, end of the year	 <u>\$ 666,924</u>	 <u>\$ 1,052,489</u>
 Supplemental Disclosure of cash flow information:		
Cash payments for interest	<u>\$ -</u>	<u>\$ -</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, 2023 and 2022

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. Medical Nutrition Therapy ("MNT") is provided by our RDN's and includes nutrition assessment and screening, dietary/nutritional evaluation, food per medical provider's recommendations, and nutrition education. This service is provided on a one-on-one basis.

During the 12 months ended June 30, 2023 the Organization delivered 816,920 meals, provided 689 emergency food assistance bags, and provided MNT to 959 clients.

During the 12 months ended June 30, 2022 the Organization delivered 662,804 meals, provided 216 emergency food assistance bags, and provided MNT to 618 clients.

The Organization completed its multi-year participation in a state-wide pilot project funded by the state of California. This pilot project provided a medically tailored meal intervention to San Diegans with congestive heart failure.

The Organization was a 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). Safety protocols continue as needed and as community

MAMA'S KITCHEN
A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

health officials dictate.

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 \$417,000 at June 30, 2023.

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

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

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

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A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022, inventory was valued at \$165,105 and \$93,312, 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, 2023 and 2022 was \$147,375 and \$129,768, respectively.

Impairment of Long-Lived Assets

The Organization accounts for impairment of long-lived assets in accordance with FASB ASC No. 360, "Property, Plant, and Equipment." ASC No. 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Organization evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible operational impairment. In accordance with ASC No. 360, the Organization uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life in measuring whether its operating assets are recoverable. An impairment is recognized when future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value. The Organization considers continued operating losses, or significant and long-term changes in business conditions, to be its primary indicators of potential impairment. In measuring impairment, the Organization looks to quoted market prices, if available, or the best information available in the circumstances. At June 30, 2023 and 2022, the Organization has determined that there is no impairment of assets.

MAMA'S KITCHEN
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Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Intangible Assets – net

Intangible assets cost of \$75,376 are included in Other assets – net and are amortized over the estimated useful life of five years. Accumulated amortization totaled \$60,926 and \$56,342 as of June 30, 2023 and 2022. Amortization expense for year ended June 30, 2023 and 2022 totaled \$10,200 and \$13,454, respectively. In the fiscal year 2023, the Organization retired \$5,616 of fully amortized intangible assets.

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, 2023 and 2022, accrued vacation payable was \$116,000 and \$97,903, respectively and are included in Accounts payable and accrued expenses on the Statement of Financial Position.

Contributions, Promises to Give and Capital Projects

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give, in substance and unconditionally. It is the Organization's policy to treat donor-restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions. Donations that are not expended in the current year are classified as net assets with donor restrictions.

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

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

Concentration of Revenue

In 2023 and 2022, Mama's Kitchen received approximately 16% and 9% 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.

MAMA'S KITCHEN
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Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

In 2023 and 2022, Mama's Kitchen also received approximately 84% and 91% 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, 2023:

The Organization received approximately 31,015 donated hours and 209,116 miles driven from 857 volunteers for various services including food preparation, packaging and staging prepared meals and home delivery to more than 2,536 individuals at high risk of hunger and malnutrition. The value of donated hours is \$1,157,480 (1) and the value of donated miles is \$130,697 (2).

Fiscal year ended June 30, 2022:

The Organization received approximately 28,515 donated hours and 208,670 miles driven from 741 volunteers for various services including food preparation, packaging and staging prepared meals and home delivery to more than 2,232 individuals at high risk of hunger and malnutrition. The value of donated hours is \$1,013,993 (1) and the value of donated miles is \$122,072 (2).

However, not all of these services met the criteria established by FASB ASC 958 and therefore are not recorded in the financial statements. The donated services that can be recorded in the financial statements, specifically for meal delivery, are discussed in Note 13.

- (1) Calculated using the 2023 and 2022 Volunteer Hour Value for California as published by The Independent Sector.
- (2) Calculated using the IRS Standard Mileage Rate of \$0.625 for the period July 1 through December 31, 2022 and \$0.655 for the period January 1 through June 30, 2023 for fiscal 2023 and \$0.585 for fiscal 2022.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a

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A Not-For-Profit Organization
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

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 2021, 2022 and 2023 and up to the date of the independent auditor's 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, 2022 financial statements to conform to the fiscal year ended June 30, 2023 presentation.

Date of Managements Review

Subsequent events were evaluated through December 8, 2023, which is the financial statement issuance date.

Note 2 – Statement of Financial Position Details at June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Prepaid expenses and other:		
Prepaid insurance	\$ 23,747	\$ 23,442
Prepaid building improvements	-	1,548
Software maintenance	23,397	8,675
Cleaning & other services	<u>(760)</u>	<u>13,072</u>
 Total prepaid expenses	 <u>\$ 46,384</u>	 <u>\$ 46,737</u>

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Deposits:		
Vendor security deposits	\$ -	\$ 5,000
Building improvement project	-	31,246
Software purchase	<u>118,490</u>	<u>118,491</u>
Total deposits	<u>\$ 118,490</u>	<u>\$ 154,737</u>
Property and Equipment – at Cost:		
Land	\$ 176,700	\$ 176,700
Building and improvements	2,736,119	2,280,010
Furniture and fixtures	673,718	618,231
Vehicles	<u>114,412</u>	<u>39,735</u>
	3,700,949	3,114,676
Accumulated Depreciation	<u>(1,631,341)</u>	<u>(1,561,502)</u>
Net Property and Equipment	<u>\$2,069,608</u>	<u>\$1,553,174</u>
Other assets – net		
Donated artwork held for sale	\$ 135,068	\$ 135,068
Intangible assets - net	<u>14,450</u>	<u>24,650</u>
Total other assets – net	<u>\$ 149,518</u>	<u>\$ 159,718</u>
Accounts payable and accrued expenses		
Accounts payable	\$ 35,523	\$ 21,919
Accrued payroll	101,768	79,662
Accrued vacation	116,000	97,903
Accrued other	<u>28,504</u>	<u>25,548</u>
Total accounts payable and accrued expenses	<u>\$ 281,795</u>	<u>\$ 225,032</u>

Note 3 – Contracts Awarded and Contingency

During fiscal 2023 and 2022, Mama's Kitchen was under contract with the San Diego County Department of Health and Human Services ("County of San Diego"), the City of San Diego Economic Development Department ("City of San Diego") (2022 only) and the Cities of Vista, El Cajon and Escondido Housing Divisions ("Cities"), 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.

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The Agencies contracts for the year ending June 30, 2023 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, 2023 and 2022, 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 \$876,038 for the fiscal year ended June 30, 2024.

Note 4 - Income Taxes

Income Taxes Status

Mama's Kitchen is a private not-for-profit corporation organized under the laws of the State of California. As a Section 501(c)(3) organization, it is exempt from income taxes on the basis that it qualifies for exemption under Section 501(a) of the Internal Revenue Code, and Section 23701(d) of the State Revenue and Taxation Code on revenues, gains and other support used for charitable purposes.

Uncertain Tax Positions

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Mama's Kitchen may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various position related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2023 and 2022.

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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 2018 and 2017, 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 \$432,212 and \$(1,016,205) for the years ended June 30, 2023 and 2022, 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 \$66,625 and \$50,769 for the years ended June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Investments in marketable securities available for sale	\$8,153,126	\$7,826,832
Long-term investments	<u>43,632</u>	<u>43,103</u>
Total	<u>\$8,196,758</u>	<u>\$7,869,935</u>

At June 30, 2023, 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.

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For the Years Ended June 30, 2023 and 2022

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	\$ 331,666	\$ -	\$ -	\$ 331,666
Domestic common stocks	2,786,271	440,846	(1,288)	3,225,829
Managed equity mutual funds	1,823,155	-	(229,660)	1,593,495
Preferred stocks	573,005	-	(74,888)	498,117
Asset backed securities	91,735	-	(5,119)	86,616
Real estate investment trusts	154,109	-	(4,134)	149,975
Managed equity bond funds				
US Government backed	1,767,835	-	(99,196)	1,668,639
Corporate	673,647	-	(49,858)	623,789
San Diego Foundation Balanced Pool	<u>18,632</u>	<u>-</u>	<u>-</u>	<u>18,632</u>
Total	<u>\$8,220,055</u>	<u>\$440,846</u>	<u>\$(464,143)</u>	<u>\$8,196,758</u>

At June 30, 2022, 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	\$1,091,995	\$ -	\$ -	\$1,091,995
Domestic common stocks	2,633,100	408,503	(394,736)	2,646,867

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Managed equity mutual funds	1,628,867	-	(234,504)	1,394,363
Preferred stocks	532,763	919	(74,568)	459,114
Asset backed securities	35,017	-	(3,196)	31,821
Managed equity bond funds				
US Government backed	1,680,326	178	(91,566)	1,588,938
Corporate	705,272	-	(66,538)	638,734
San Diego Foundation				
Balanced Pool	<u>18,103</u>	<u>-</u>	<u>-</u>	<u>18,103</u>
Total	<u>\$8,325,443</u>	<u>\$409,600</u>	<u>\$(865,108)</u>	<u>\$7,869,935</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. Assets measured at fair value on a recurring basis are summarized below:

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Fair Value Measurement at June 30, 2023, 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>\$ 331,666</u>	<u>\$ 331,666</u>	<u>\$ -</u>	<u>\$ -</u>
UBS Investment Accounts				
Equities	3,225,829	3,225,829	-	-
Mutual Funds	1,593,495	1,593,495	-	-
Fixed Income Investments	3,027,136	3,027,136	-	-
San Diego Foundation				
Endowment, Balanced Pool	<u>18,632</u>	<u>-</u>	<u>18,632</u>	<u>-</u>
Total Investments	<u>7,865,092</u>	<u>7,846,460</u>	<u>18,632</u>	<u>-</u>
Total Cash and Investments	<u>\$8,196,758</u>	<u>\$8,178,126</u>	<u>\$ 18,632</u>	<u>\$ -</u>

Fair Value Measurement at June 30, 2022, 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>\$1,091,995</u>	<u>\$1,091,995</u>	<u>\$ -</u>	<u>\$ -</u>

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UBS Investment Accounts				
Equities	2,646,867	2,646,867	-	-
Mutual Funds	1,394,363	1,394,363	-	-
Fixed Income Investments	2,718,607	2,718,607	-	-
San Diego Foundation				
Endowment, Balanced Pool	18,103	-	18,103	-
Total Investments	6,777,940	6,759,837	18,103	-
Total Cash and Investments	<u>\$7,869,935</u>	<u>\$7,851,832</u>	<u>\$ 18,103</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, 2023 and 2022 were \$705,228 and \$1,030,845, of which \$83,470 and \$52,644 were due from the County of San Diego – Health & Human Services Agency and \$621,758 and \$978,201 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, 2022 were \$1,591, net of allowance for doubtful pledges of \$890. There were no pledges receivable as of June 30, 2023.

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 (6.968% APR at June 30, 2023). There were no amounts outstanding on the Line of Credit at June 30, 2023 or 2022, respectively.

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Note 10 – Net Assets With Donor Restrictions

The Organization received contributions with donor restrictions totaling \$1,189,323 and \$696,194 in 2023 and 2022, respectively. Per donor imposed restrictions, the funds usage is restricted to a specific purpose and/or program. The Organization utilized \$564,813 and \$241,210 of funds with donor restrictions as of June 30, 2023 and 2022, respectively.

Net assets with donor restrictions are composed of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose	\$1,151,643	\$ 527,662
Mama's Kitchen Endowment	25,000	25,000
The San Diego Foundation Endowment	<u>18,632</u>	<u>18,103</u>
Total Net Assets with Donor Restrictions	<u>\$1,195,275</u>	<u>\$ 570,765</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)

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the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

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

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

The composition of endowment net assets and the changes in endowment net assets as of June 30, 2023 and 2022 are as follows:

	<u>Net Assets with Donor Restrictions</u>
Endowment net assets, July 1, 2021	\$ 44,281
Investment return (net)	<u>(1,178)</u>
Endowment net assets, June 30, 2022	43,103
Investment return (net)	<u>529</u>
Endowment net assets, June 30, 2023	<u>\$ 43,632</u>

Note 11 – Fund-Raising and Special Events, Net

Special events consist of various fund-raising events for the year ended June 30, 2023 and 2022, respectively, as follows:

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For the Years Ended June 30, 2023 and 2022

Fiscal year ended June 30, 2023:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ 18,475	\$ 35,940	\$ 26,924	\$ 81,339
Less: Direct expenses	<u>(41,815)</u>	<u>(34,882)</u>	<u>(25,949)</u>	<u>(102,646)</u>
Special events, net of direct expenses	<u>(23,340)</u>	<u>1,058</u>	<u>975</u>	<u>(21,307)</u>
Special events contributions	87,815	125,983	45,550	259,348
In-kind donations	26,938	10,884	1,711	39,533
Less: Indirect expenses	<u>(27,183)</u>	<u>(27,347)</u>	<u>(16,989)</u>	<u>(71,519)</u>
Net	<u>87,570</u>	<u>109,520</u>	<u>30,272</u>	<u>227,362</u>
Total Fund-Raising and Special Events	<u>\$ 64,230</u>	<u>\$ 110,578</u>	<u>\$ 31,247</u>	<u>\$ 206,055</u>

Fiscal year ended June 30, 2022:

	<u>Mama's Day</u>	<u>Mama's Pies</u>	<u>Other Events</u>	<u>Total</u>
Special events revenue	\$ 12,425	\$ 28,510	\$ 7,700	\$ 48,635
Less: Direct expenses	<u>(42,200)</u>	<u>(28,095)</u>	<u>(19,692)</u>	<u>(89,987)</u>
Special events, net of direct expenses	<u>(29,775)</u>	<u>415</u>	<u>(11,992)</u>	<u>(41,352)</u>
Special events contributions	121,285	136,352	40,423	298,060
In-kind donations	2,093	6,000	-	8,093
Less: Indirect expenses	<u>(24,949)</u>	<u>(25,155)</u>	<u>(19,615)</u>	<u>(69,719)</u>
Net	<u>98,429</u>	<u>117,197</u>	<u>20,808</u>	<u>236,434</u>
Total Fund-Raising and Special Events	<u>\$ 68,654</u>	<u>\$ 117,612</u>	<u>\$ 8,816</u>	<u>\$ 195,082</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.

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Note 12 – Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$363,091 and \$10,350 (excluding in-kind and donated services to special events net of expenses) for the fiscal years ended June 30, 2023 and 2022, respectively. In-kind donations of goods and services consisted of the following:

	<u>2023</u>	<u>2022</u>
Mama's Day	\$ 27,012	\$ 5,050
Mama's Pies	10,310	3,891
Other Special Events	3,061	-
Food Drives	-	754
Donated Building Expenses	322,708	-
Other programs and office supplies	<u>-</u>	<u>655</u>
Total Donations In-Kind	<u>\$ 363,091</u>	<u>\$ 10,350</u>

Mama's Kitchen also received donated delivery services for the years ended June 30, 2023 and 2022 valued at \$575,216 and \$552,384 that met the criteria under FASB ASC 958 as described in Note 1. Donated services consist of the following:

	<u>2023</u>	<u>2022</u>
Volunteer Hours – Delivery Services	\$ 444,519	\$ 430,312
Mileage Driven	<u>130,697</u>	<u>122,072</u>
Total Donated Services	<u>\$ 575,216</u>	<u>\$ 552,384</u>

Note 13 – Employee Benefit Plan

Mama's Kitchen sponsors a 401(K) profit sharing plan (a defined contribution plan) (the "Plan"). Employees who are 21 years old and work 1,000 hours are eligible to participate in the Plan after one year of employment. Participation commences on January 1 or July 1 commensurate with or next following meeting these requirements. Employer contributions to the Plan 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 the Plan was \$16,458 and \$15,909 for the fiscal years ending June 30, 2023 and 2022, respectively.

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Note 14 – 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.

Financial assets, at year-end	\$ 9,687,400
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Long-term investments	<u>43,632</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,643,768</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.

Supplemental Information

MAMA'S KITCHEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

<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	\$ 547,219
<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	CH22F015	190,694
Pass-Through City of Vista Housing Division Community Development Block Grant	14.218	B21MC060575	13,950
Pass-Through City of El Cajon Housing Division Community Development Block Grant	14.218	B20MW060541	12,500
Pass-Through City of Escondido Housing and Neighborhood Services Community Development Block Grant	14.218	B22MC060552	7,500
Total HUD			224,644
Total expenditures of federal awards			\$ 771,863

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, 2022**

<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	\$ 553,144
<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	CAH21F015	186,584
Pass-Through City of San Diego Economic Development Department Community Development Block Grant	14.218	B21MC060542	125,439
Pass-Through City of Vista Housing Division Community Development Block Grant	14.218	B21MC060575	5,256
Pass-Through City of El Cajon Housing Division Community Development Block Grant	14.218	B20MW060541	10,000
Pass-Through City of Chula Vista Housing Division Community Development Block Grant	14.218	N/A	10,000
Pass-Through City of Escondido Housing and Neighborhood Services Community Development Block Grant	14.218	B22MC060552	6,000
Total HUD			343,279
Total expenditures of federal awards			\$ 896,423

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, 2023

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, 2023 and 2022. 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, 2023, 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 December 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mama's internal control. Accordingly, we do not express an opinion on the effectiveness of Mama's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ling & Bourman, LLP

December 8, 2023
San Diego, California

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

Board of Directors
Mama's Kitchen

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mama's Kitchen (a nonprofit organization) ("Mama's") compliance with the types of compliance requirements identified as subject to audit 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, 2023. Mama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mama's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mama's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mama's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mama's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mama's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mama's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mama's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mama's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 & Bouman, LLP

December 8, 2023
San Diego, California

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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	<u> X </u>	none reported
Significant deficiencies identified?	_____	yes	<u> X </u>	none reported

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

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____	yes	<u> X </u>	none reported
Significant deficiencies identified?	_____	yes	<u> X </u>	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, 2023

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

MAMA'S KITCHEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

Prior Audit Findings

2022 – 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.

MAMA'S KITCHEN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Corrective Action Plan

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