



Nourishing the Heart. One Meal at a Time.

**Audited Financial Statements
December 31, 2011**

Presented By

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

MAMA'S KITCHEN
TABLE OF CONTENTS
December 31, 2011

	<u>Page Number</u>
Independent Auditor's Report on Financial Statements	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-15

Douglas R. Ashbrook, CPA

Auditing, Taxation, Consulting

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mama's Kitchen

I have audited the accompanying statement of financial position of Mama's Kitchen (a nonprofit organization) as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Mama's Kitchen's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama's Kitchen as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 5, 2012

Douglas R. Ashbrook, CPA

MAMA'S KITCHEN
Statement of Financial Position
December 31, 2011
(With Comparative Totals for December 31, 2010)

ASSETS	2011	2010
Cash and cash equivalents	\$ 319,940	\$ 228,520
Investments	715,299	1,965,747
Investments - (pledged)	500,825	-
Prepaid expenses and deposits	20,381	92,900
Grants, contracts, and misc. receivables	79,849	65,285
Inventory	17,106	13,519
Pledges receivable - net	225,497	73,731
Office & computer equipment	146,127	144,541
Kitchen equipment	239,007	140,013
Vehicles	23,858	23,858
Leasehold improvements	-	53,039
Land	176,700	-
Building & building improvements	2,188,314	-
Less: accumulated depreciation	(191,645)	(328,478)
Intangible assets	37,291	23,761
Less: accumulated amortization	<u>(18,659)</u>	<u>(12,779)</u>
 Total Assets	 <u>\$ 4,479,890</u>	 <u>\$ 2,483,657</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 6,923	\$ 26,473
Line of credit	500,874	-
Accrued payroll liabilities	29,066	27,498
Deferred revenue	20,000	20,000
Accrued vacation payable	56,751	42,426
Mortgage payable	<u>1,344,000</u>	-
 Total Liabilities	 <u>1,957,614</u>	 <u>116,397</u>

NET ASSETS:

Unrestricted	2,488,452	2,229,219
Temporarily restricted	-	105,693
Permanently restricted	<u>33,824</u>	<u>32,348</u>
 Total Net Assets	 <u>2,522,276</u>	 <u>2,367,260</u>
 Total Liabilities and Net Assets	 <u>\$ 4,479,890</u>	 <u>\$ 2,483,657</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Activities
For the Year Ending December 31, 2011
(With Comparative Totals for December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>					
County of San Diego-Ryan White	\$ 286,327	\$ -	\$ -	\$ 286,327	\$ 312,817
County of San Diego-HOPWA	118,845	-	-	118,845	114,065
Contributions	1,464,081	-	1,476	1,465,557	1,337,624
Capital projects	-	569,669	-	569,669	173,731
Donations in-kind	220,756	-	-	220,756	339,407
Donated services and facilities	363,176	-	-	363,176	266,216
Special events, net of direct expenses	4,833	-	-	4,833	34,330
Investment income	44,117	-	-	44,117	67,848
Net realized and unrealized gain on investments	2,122	-	-	2,122	105,910
Released from restriction by payment	<u>675,362</u>	<u>(675,362)</u>	<u>-</u>	<u>0</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>3,179,619</u>	<u>(105,693)</u>	<u>1,476</u>	<u>3,075,402</u>	<u>2,751,948</u>
<u>EXPENSES AND LOSSES:</u>					
Program services	2,028,234	-	-	2,028,234	1,791,671
Management and general	138,157	-	-	138,157	129,413
Fundraising	749,029	-	-	749,029	696,596
Total Expenses	<u>2,915,420</u>	<u>0</u>	<u>0</u>	<u>2,915,420</u>	<u>2,617,680</u>
Net loss on disposition of assets	<u>(4,965)</u>	<u>-</u>	<u>-</u>	<u>(4,965)</u>	<u>0</u>
Total Expenses and Losses	<u>2,920,385</u>	<u>0</u>	<u>0</u>	<u>2,920,385</u>	<u>2,617,680</u>
Change in Net Assets	259,234	(105,693)	1,476	155,017	134,268
 Net Assets, Beginning of Year	 <u>2,229,219</u>	 <u>105,693</u>	 <u>32,348</u>	 <u>2,367,260</u>	 <u>2,232,992</u>
Net Assets, End of Year	<u>\$ 2,488,453</u>	<u>\$ 0</u>	<u>\$ 33,824</u>	<u>\$ 2,522,277</u>	<u>\$ 2,367,260</u>

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Cash Flows
For the Year Ending December 31, 2011
(With Comparative Totals for December 31, 2010)

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2011</u>	<u>2010</u>
Increase (Decrease) in Net Assets	\$ 155,017	\$ 134,268
<u>Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:</u>		
Depreciation and amortization	58,735	22,779
(Gain)/loss on investments	(2,122)	(105,910)
(Gain)/loss on disposition of assets	4,965	-
<u>(Increase)/Decrease in:</u>		
Grants, contracts, and misc. receivables	(14,564)	(28,700)
Prepaid expenses and deposits	72,519	(66,252)
Pledges receivable - net	(151,766)	(73,731)
Inventory	(3,587)	3,863
<u>Increase/(Decrease) in:</u>		
Accrued vacation payable	14,325	6,634
Accounts payable	(19,550)	15,290
Deferred revenue	-	7,500
Accrued payroll liabilities	1,568	860
Net cash provided/(used) by operating activities	115,540	(83,399)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(693,758)	(848,322)
Proceeds from sale of investments	1,445,502	928,911
Purchase of property and equipment	(2,620,738)	(18,576)
Net cash provided/(used) by investing activities	(1,868,994)	62,013
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Long-term borrowings	1,344,000	-
Line of credit advances	500,874	-
Net cash provided/(used) in financing activities	1,844,874	-
Net increase(decrease) in cash and cash equivalents	91,420	(21,386)
Cash and cash equivalents at beginning of year	228,520	249,906
Cash and cash equivalents at end of year	<u>\$ 319,940</u>	<u>\$ 228,520</u>

Supplemental Disclosures:

Cash payments for interest in 2011	\$ 49,869	\$ -
------------------------------------	-----------	------

See accompanying notes and auditor's report

MAMA'S KITCHEN
Statement of Functional Expenses
For the Year Ending December 31, 2011
(With Comparative Totals for December 31, 2010)

	SUPPORTING SERVICES			2011 Total	2010 Total
	Program Services	Management & General	Fund- Raising		
Salaries and wages	\$ 273,748	\$ 89,822	\$ 191,038	\$ 554,608	\$ 510,760
Payroll taxes	22,520	7,246	15,827	45,593	41,638
Employee benefits	24,729	6,808	14,600	46,137	49,048
TOTAL SALARY AND RELATED EXPENSE	320,997	103,876	221,465	646,338	601,446
Food and packaging costs (net)	1,067,794	-	-	1,067,794	941,530
Food costs - in-kind	39,300	-	-	39,300	36,531
Advertising, printing & publications	-	-	45,492	45,492	59,673
Bank/credit Card Fees	-	-	19,408	19,408	17,176
Client expense	4,211	-	-	4,211	5,920
Depreciation and amortization	46,568	6,212	5,955	58,735	22,779
Direct mail	-	-	80,146	80,146	77,369
Donor cultivation	-	-	5,573	5,573	4,068
Donated services, facilities and in-kind	335,850	-	208,781	544,631	569,092
Information technology	7,481	1,034	8,579	17,094	13,593
Insurance	20,342	3,042	-	23,384	12,908
Interest expense	20,598	2,504	2,710	25,812	-
Investment advisory fees	19,291	-	-	19,291	27,926
Legal & professional	5,220	1,300	139,802	146,322	63,045
Memberships,subscriptions,prof. development	3,923	2,615	1,935	8,473	15,042
Occupancy	121,684	11,665	4,952	138,301	119,263
Office expense	8,003	4,590	3,467	16,060	16,044
Vehicle expense	3,713	-	-	3,713	3,657
Volunteer expense	2,853	-	-	2,853	4,722
Miscellaneous	406	1,319	764	2,489	5,896
TOTAL EXPENSES	\$ 2,028,234	\$ 138,157	\$ 749,029	\$ 2,915,420	\$ 2,617,680

See accompanying notes and auditor's report

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Mama's Kitchen is a not-for-profit organization incorporated on September 28, 1990 in California and providing services in San Diego County. It is governed by a Board of Directors who volunteer their services to the organization. Program services 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), grants from private and corporate foundations, and local community support. During the year, the organization delivered 347,690 meals and had 4,858 visits to Mama's Pantry. The Monday and Wednesday deliveries each consist of six meals, including one hot dinner and one frozen dinner. The Friday delivery consists of nine meals, including one hot dinner and two frozen dinners.

Income Taxes

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

Financial Statement Presentation and Basis of Accounting

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

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

Contributions 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, 2011

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

Property and Equipment

Property and equipment acquisitions of \$1,000 or more are recorded at cost when purchased. The fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation and amortization expense for the year ending December 31, 2011 is \$58,735.

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.

Expense Allocations

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

Compensated Absences

Employees of Mama's Kitchen are entitled to compensated absences depending on the length of service and other factors. Such absences consist of accrued vacation and sick time; the unused accrued vacation is payable upon termination or retirement. As of December 31, 2011, accrued vacation payable is \$56,751.

Cash and Cash Equivalents

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

Donated Services

The criteria for recognizing donated services in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, are if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The organization received approximately 31,469 donated hours from 796 volunteers for various services including food preparation, packaging and staging prepared meals, and home delivery to more than 572 men, women, and children at high risk of hunger and malnutrition; however, not all of these services met the criteria established by FASB No.116 and therefore are not recorded in the financial statements.

Inventory

The inventory consists of meal containers, dry and frozen foods, and other food products. Inventory is valued using the First In First Out (FIFO) method. As of December 31, 2011, inventory is valued at \$17,106.

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, 2010, from which the summarized information was derived.

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 2 - Employee Benefit Plan:

Mama's Kitchen participates in a 401(k) deferred profit sharing plan (a defined contribution plan). All employees that have completed a minimum of 1,000 hours of service are eligible to participate in the plan. Contributions are made by Mama's Kitchen based upon each employee's contributions and eligibility. Participants are vested 100% after 5 years. Mama's Kitchen's contribution to this plan was \$12,000 for the year ended December 31, 2011.

Note 3 - Grants, Contracts, and Miscellaneous Receivables

Receivables as of December 31, 2011 are \$79,849 of which \$57,849 is due from the County of San Diego - Health & Human Services Agency.

Note 4 - Prepaid Expenses and Deposits

Prepaid expenses and deposits as of December 31, 2010 are as follows:

Prepaid Insurance	\$ 10,117
Software Maintenance	3,378
Water deposit	532
Vendor security deposit	5,300
Workers compensation deposit	1,054
Total prepaid expenses and deposits	<u><u>\$ 20,381</u></u>

Note 5 – 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.

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 5 – Fair Value of Investments (cont.)

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:

Fair Value Measurement at December 31, 2011, 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	\$ 319,940	\$ 319,940	\$ -	\$ -
Merrill Lynch Investments				
Cash Portfolio	<u>74,257</u>	<u>74,257</u>	<u>-</u>	<u>-</u>
Total Cash	<u>394,197</u>	<u>394,197</u>	<u>-</u>	<u>-</u>

Investments at December 31, 2011 consist of the following:

Merrill Lynch Investment Accounts

Fixed Income Investments	377,178	377,178	-	-
Equities	530,066	530,066	-	-
Mutual Funds	<u>224,503</u>	<u>224,503</u>	<u>-</u>	<u>-</u>

San Diego Foundation

Endowment, Balanced Pool	<u>10,120</u>	<u>-</u>	<u>10,120</u>	<u>-</u>
Total Investments	<u>1,141,867</u>	<u>1,131,747</u>	<u>10,120</u>	<u>-</u>

Total Cash and Investments	<u>\$ 1,536,064</u>	<u>\$ 1,525,944</u>	<u>\$ 10,120</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 total \$996,556 as of December 31, 2011.

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 6 - Revolving Line of Credit

The Organization has a \$500,000 revolving line of credit, of which \$500,000 was used at December 31, 2011. The balance shown on the Statement of Financial Position of \$500,874 includes accrued interest of \$874. Bank advances on the credit line are payable on demand and carry a variable interest rate (2.07233% APR at December 31, 2011). The credit line is secured by investment accounts held at Merrill Lynch as explained in Note 5 above.

Note 7 – Long Term Debt and Purchase of Building

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

Long term debt at December 31, 2011, 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.

\$ 1,344,000

Maturities of long-term debt subsequent to December 31, 2011, are as follows:

Years ending December 31	Amount
2012	\$ 21,015
2013	26,506
2014	28,038
2015	29,669
Thereafter	1,238,772
Total	\$ 1,344,000

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 8 - 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	\$ 30,625	\$ 13,463	\$ 9,528	\$ 53,616
Less: direct expenses	<u>(20,247)</u>	<u>(13,023)</u>	<u>(15,513)</u>	<u>(48,783)</u>
Special events, net	<u>10,378</u>	<u>440</u>	<u>(5,985)</u>	<u>4,833</u>
Special events contributions	166,040	98,976	72,523	337,539
In-Kind donations	122,582	1,835	31,691	156,108
Less: indirect expenses	<u>(35,822)</u>	<u>(30,979)</u>	<u>(33,699)</u>	<u>(100,500)</u>
Total Fund-raising and Special events, net	<u>\$ 252,800</u>	<u>\$ 69,832</u>	<u>\$ 70,515</u>	<u>\$ 393,147</u>

Note 9 - Concentration of Revenue

Mama's Kitchen received approximately 13% of its total revenue from the County of San Diego for the AIDS Home Delivered Meals Program. While there is no imminent plan on the part of the government to discontinue these funds, the contracts are renewed on an annual basis depending on availability of funds.

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

Note 10 - Federal Allowances, Awards and Grants

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

Note 11 - Concentration of Risk and Uncertainties

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, Mama's Kitchen's did not have uninsured cash balances.

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 12 - Donations In-Kind & Donated Services

Mama's Kitchen received in-kind donations valued at \$220,756 for the year ending December 31, 2011. In-kind donations consist of the following:

Mama's Day	\$ 122,582
Pie in the Sky	1,835
Other Special Events	31,691
Mama's Pantry/Food drives	39,177
Other various programs & office supplies	25,471
 Total Donations In-kind	 \$ 220,756

Mama's Kitchen also received donated services valued at \$ 363,176 that met the criteria under SFAS No.116 as described in Note 1. Donated services consist of the following:

Professional Chefs	\$ 45,673
Delivery Services*	310,503
IT Services	6,000
Facility Rental	1,000
 Total Donated Services	 \$ 363,176

*Delivery services include mileage for use of personal vehicles.

Note 13 - 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, 2011 consist primarily of government securities, corporate bonds, and equities totaling \$1,206,004.

Net realized and unrealized gain/(loss) on investment	\$ 2,122
 Less: investment fees	(19,291)
 Interest and dividend income	44,117
 Total investment return	 \$ 26,948

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 14 - Net Assets

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

Mama's Kitchen Endowment	\$ 24,000
The San Diego Foundation Endowment	<u>9,824</u>
Total Permanently Restricted Net Assets	<u>\$ 33,824</u>

Note 15 - Endowment Funds

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

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

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

**Mama's Kitchen
Notes to Financial Statements
December 31, 2011**

Note 15 - Endowment Funds (cont.)

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

Permanently Restricted Net Assets

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA \$ 33,824

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time
Restriction under SPMIFA \$ -

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 295	\$ -	\$ 33,824	\$ 34,119
Total funds	\$ 295	\$ -	\$ 33,824	\$ 34,119

Change in Endowment Net Assets for the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 123	\$	\$ 32,348	\$ 32,471
Endowments Received			1,000	1,000
Reclassification Adjustment per FSP No. FAS 117-1	(59)		834	775
Investment Return:				
Brokerage Fees	(48)			(48)
Net income (realized and unrealized)	-		(79)	(79)
Total Investment Return	(48)	-	(79)	(127)
Appropriation of endowment assets for expenditure	<u>279</u>	<u> </u>	<u>(279)</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>295</u>	\$ <u>-</u>	\$ <u>33,824</u>	\$ <u>34,119</u>

Mama's Kitchen
Notes to Financial Statements
December 31, 2011

Note 15 - Endowment Funds (cont.)

Endowment Investment Policies

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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

Note 16 - Capital Projects and Pledges Receivable

Mama's Kitchen is working to raise awareness coupled with a fund-raising campaign for the purchase of a building to accommodate increased demand for its programs and the ultimate growth of the organization. As of December 31, 2011, pledges to the capital campaign have been secured that have a present value of \$225,497 at inception; these pledges are unconditional and due \$95,475 in 2012 and \$145,205 over the following four years. Promises to give to be received after 2011 are discounted at 3.25%. The unamortized discount on promises to give at inception is \$15,183.

Note 17 – Subsequent Events

Management has evaluated subsequent events through June 21, 2012, the date the financial statements were available to be issued and has determined no additional disclosures are required.