

**MARTHA'S KITCHEN**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended**

**June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Martha's Kitchen  
San Jose, California

We have audited the accompanying financial statements of Martha's Kitchen (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martha's Kitchen as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Martha's Kitchen June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 dated October 31, 2018, on our consideration of Martha's Kitchen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Martha's Kitchen's internal control over financial reporting and compliance.

*Thielen & Associates*

Campbell, California  
October 31, 2018

**MARTHA'S KITCHEN**

**STATEMENT OF  
FINANCIAL POSITION**

**JUNE 30, 2018 AND 2017**

**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Current Assets</b>		
Cash and equivalents	\$ 215,444	\$ 395,142
Accounts receivable	1,250	-
Prepaid expenses	77,249	35,948
Inventory	28,482	33,324
Total Current Assets	<u>322,425</u>	<u>464,414</u>
<b>Investments</b>		
Investments	<u>6,075,438</u>	<u>5,368,824</u>
<b>Property and Equipment</b>		
Net property and equipment	<u>978,221</u>	<u>1,094,986</u>
<b>Total Assets</b>	<u><u>\$ 7,376,084</u></u>	<u><u>\$ 6,928,224</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 58,507	\$ 56,036
Deferred revenue	78,950	56,607
Total Liabilities	<u>137,457</u>	<u>112,643</u>
<b>Net Assets</b>		
Unrestricted net assets:		
Undesignated	1,163,189	1,673,010
Board designated	6,075,438	5,142,571
	<u>7,238,627</u>	<u>6,815,581</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,376,084</u></u>	<u><u>\$ 6,928,224</u></u>

The accompanying notes are an integral part of these financial statements.

**MARTHA'S KITCHEN**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEARS  
ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>			<b>2017</b>
	<u>Unrestricted Funds</u>	<u>Temporarily Restricted</u>	<u>Total Funds</u>	<u>Total Funds</u>
<b>REVENUES:</b>				
<b><u>PUBLIC SUPPORT</u></b>				
Public support received directly:				
Contributions - cash	\$ 1,042,277	\$ -	\$ 1,042,277	\$ 839,019
Contributions - non-cash	569,599	-	569,599	672,581
Special events (net of expenses)	-	124,053	124,053	136,249
Total support received directly	<u>1,611,876</u>	<u>124,053</u>	<u>1,735,929</u>	<u>1,647,849</u>
Public support received indirectly:				
Government grants	35,000	-	35,000	36,069
Total support received indirectly	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>36,069</u>
Total public support	1,646,876	124,053	1,770,929	1,683,918
<b><u>OTHER REVENUES</u></b>				
Investment income (loss)	508,816	-	508,816	615,752
Other income (loss)	567	-	567	3,536
Total other revenue	<u>509,383</u>	<u>-</u>	<u>509,383</u>	<u>619,288</u>
Net assets released from restrictions	<u>124,053</u>	<u>(124,053)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	2,280,312	-	2,280,312	2,303,206
<b>EXPENSES:</b>				
<b><u>PROGRAM SERVICES</u></b>				
Food service	1,714,076	-	1,714,076	1,717,235
Total program services	<u>1,714,076</u>	<u>-</u>	<u>1,714,076</u>	<u>1,717,235</u>
<b><u>SUPPORT SERVICES</u></b>				
Management and general	59,948	-	59,948	60,222
Fundraising	83,242	-	83,242	76,699
Total support services	<u>143,190</u>	<u>-</u>	<u>143,190</u>	<u>136,921</u>
Total operating expenses	<u>1,857,266</u>	<u>-</u>	<u>1,857,266</u>	<u>1,854,156</u>
Change in net assets from operations	423,046	-	423,046	449,050
Net assets, beginning of period	<u>6,815,581</u>	<u>-</u>	<u>6,815,581</u>	<u>6,366,531</u>
Net assets, end of period	<u>\$ 7,238,627</u>	<u>\$ -</u>	<u>\$ 7,238,627</u>	<u>\$ 6,815,581</u>

The accompanying notes are an integral part of these financial statements.

**MARTHA'S KITCHEN**

**STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017**

<b>CASH FLOWS USED FOR OPERATING ACTIVITIES:</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Change in net assets	\$ 423,046	\$ 449,050
Adjustments to reconcile change in unrestricted net assets to net cash used for operating activities:		
Non-cash food donations	(688,824)	(746,984)
Change in donated food inventories	(4,842)	(4,235)
Donated food used in operations	693,666	751,219
Depreciation	120,952	118,771
Realized (gains) losses on investments	(17)	231
Unrealized (gains) losses on investments	(190,398)	(373,026)
(Increase) Decrease in inventories	4,842	4,235
(Increase) Decrease in accounts receivable	(1,250)	-
(Increase) Decrease in prepaid expenses	(41,301)	31,199
Increase (Decrease) in accounts payable	2,471	17,277
Increase (Decrease) in deferred revenue	22,343	6,607
<b>Net cash provided by (used for) operating activities</b>	<b><u>340,688</u></b>	<b><u>254,344</u></b>
 <b>CASH FLOWS USED FOR INVESTING ACTIVITIES:</b>		
Transfers to (from) operating account from (to) investment account	(516)	(20,107)
Purchases of equipment	(4,188)	(77,567)
Purchases of investments	(617,142)	(190,072)
Sales of investments	101,460	21,652
<b>Net cash provided by (used for) investing activities</b>	<b><u>(520,386)</u></b>	<b><u>(266,094)</u></b>
 <b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(179,698)</b>	<b>(11,750)</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b><u>395,142</u></b>	<b><u>406,892</u></b>
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$ 215,444</u></b>	<b><u>\$ 395,142</u></b>

The accompanying notes are an integral part of these financial statements.

**MARTHA'S KITCHEN**

**STATEMENT OF  
FUNCTIONAL EXPENSES**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017**

	<b>2018</b>				<b>2017</b>	
	<b>Program Services</b>	<b>Support Services</b>				
	<b>Kitchen and Food</b>	<b>Management and General</b>	<b>Fund- Raising</b>	<b>Total Support Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
<b><u>FUNCTIONAL EXPENSES:</u></b>						
Salaries	\$ 494,906	\$ 42,537	\$ 64,192	\$ 106,729	\$ 601,635	\$ 545,409
Payroll Taxes	39,509	3,316	5,005	8,321	47,830	45,243
Benefits	109,957	-	-	-	109,957	89,698
<b>Total Salaries &amp; Benefits</b>	<b>644,372</b>	<b>45,853</b>	<b>69,197</b>	<b>115,050</b>	<b>759,422</b>	<b>680,350</b>
Professional fees	-	9,298	-	9,298	9,298	7,926
Cost of food and services	693,666	-	-	-	693,666	751,219
Supplies	8,033	1,190	1,572	2,762	10,795	6,659
Telephone	4,361	70	337	407	4,768	4,378
Postage and shipping	1,070	244	2,802	3,046	4,116	2,720
Occupancy	155,770	991	2,365	3,356	159,126	157,036
Rental and maintenance of equipment	28,861	1,561	188	1,749	30,610	27,689
Printing and publications	176	-	2,416	2,416	2,592	3,327
Mileage and travel	16,488	256	341	597	17,085	22,659
Dues and conferences	350	-	3,339	3,339	3,689	1,468
Insurance	29,361	485	485	970	30,331	38,037
Specific assistance	10,684	-	-	-	10,684	32,877
Miscellaneous	(68)	-	200	200	132	(960)
<b>Total Expenses before Depreciation</b>	<b>1,593,124</b>	<b>59,948</b>	<b>83,242</b>	<b>143,190</b>	<b>1,736,314</b>	<b>1,735,385</b>
Depreciation	120,952	-	-	-	120,952	118,771
<b>TOTAL EXPENSES</b>	<b>\$ 1,714,076</b>	<b>\$ 59,948</b>	<b>\$ 83,242</b>	<b>\$ 143,190</b>	<b>\$ 1,857,266</b>	<b>\$ 1,854,156</b>

The accompanying notes are an integral part of these financial statements.



## MARTHA'S KITCHEN

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

#### NOTE 1 – ORGANIZATION:

Martha's Kitchen is a nonprofit public benefit corporation whose mission is to provide hot meals and support to needy persons in Santa Clara County, California, and surrounding areas. The Organization leases kitchen and dining room facilities at 311 Willow Street, San Jose, California from the Catholic Diocese of San Jose. During the fiscal year ended June 30, 2018, over 428,000 meals were either served at the facility or distributed to other food service facilities. In addition, substantial food products donated to Martha's Kitchen were re-distributed to other charitable food service facilities and needy families for their use.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization follows the standards of accounting and financial reporting for not-for-profit organizations prescribed by the American Institute of Certified Public Accountants. Accordingly, the financial statements are prepared on the accrual basis of accounting.

Cash and equivalents include petty cash; checking account; and any short-term, highly liquid investments with original maturity dates of three months or less.

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The organization periodically reviews the pledges for collectability. As a result of these reviews pledges deemed uncollectible are written off directly to bad debt expense. For the year ended June 30, 2018, there was no bad debt expense.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met during the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Donated supplies and equipment are recorded at their fair market value as of the date of the donation. Contributed services, which require specialized skills and which the organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The organization also receives donated services that does not require specific expertise and are appropriately not reflected in the accompanying financial statements, but which are nonetheless central to the organization's operations.

The Organization accounts for the donated food items at values approximating fair market value at date of donation, using a variety of sources for comparison.

Investments may include cash, corporate bonds, municipal bonds, governmental obligations, and equity securities. Such investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Advertising costs are expensed as incurred. For the year ended June 30, 2018, advertising expense totaled \$200.

MARTHA'S KITCHEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Martha's Kitchen is exempt from Federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Act. Management has evaluated Martha's Kitchen's operations and concluded the financial statements do not include any uncertain tax positions.

Fixtures, furniture, and office equipment are depreciated by the straight-line method over estimated useful lives, principally three to seven years. Leasehold improvements are depreciated over a period of 25 years.

Property and equipment valued in excess of \$1,000 at time of acquisition or donation are capitalized.

Indirect expenses are allocated on estimated percentages based on time studies, square footage, and similar factors.

Financial instruments that potentially subject the organization to significant concentrations of credit risk consist of cash, bonds, and equities. Martha's Kitchen maintains cash deposit and transaction accounts with major U.S. and international banks, which, from time to time, may exceed federally insured limits. Management of Martha's Kitchen periodically assesses the financial condition of the institutions, and believes that the risk of any loss is minimal.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – PROPERTY AND EQUIPMENT:

Property and equipment is further described as follows:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Furniture and equipment	\$448,471	\$444,283
Vehicles	117,175	117,175
Leasehold improvements	<u>2,045,502</u>	<u>2,045,502</u>
Total property and equipment	2,611,148	2,606,960
Less: accumulated depreciation	<u>(1,632,927)</u>	<u>(1,511,974)</u>
Net property and equipment	<u>\$978,221</u>	<u>\$1,094,986</u>

**MARTHA'S KITCHEN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 4 – INVESTMENTS:**

Investments are detailed as follows:	Interest Rate	Cost	Market Value 6/30/2018	Market Value 6/30/2017
Cash and equivalents	0.02%	\$7,009	\$7,009	\$2,063
Certificates of deposit	1.90%-2.00%	427,000	428,477	226,253
Corporate bonds	0.00%	50,000	1,525	3,125
Mutual funds		<u>4,783,435</u>	<u>5,638,427</u>	<u>5,137,383</u>
Total investments		<u>\$5,267,444</u>	<u>\$6,075,438</u>	<u>\$5,368,824</u>

**NOTE 5 - INVESTMENT INCOME:**

Investment income is comprised of the following:

Interest income from operating accounts	\$364
Interest income from investments	6,070
Dividend income from investments	123,189
Capital gains distributions from investments	188,778
Realized gains(losses) from investments	17
Unrealized gains(losses) from investments	<u>190,398</u>
Total investment income	<u>\$508,816</u>

**NOTE 6 – FAIR VALUE MEASUREMENTS:**

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 and 2 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were needed for the organization for the year ended June 30, 2018.

MARTHA'S KITCHEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS (Cont'd):

*Level 1 Fair Value Measurements*

Level 1 consists of financial instruments whose value is based on quoted market prices for identical financial instruments in an active market. The fair value of mutual funds is based on quoted net asset values of the shares held by the organization at year-end. The fair values of common stocks and U.S. Government securities are based on the closing price reported on the active market where the individual securities are traded.

*Level 2 Fair Value Measurements*

Level 2 consists of financial instruments whose values are determined using other inputs that are directly observable or indirectly observable through corroboration with observable market data. The fair value of corporate bonds is based on the estimated sales price of similar bonds available on the market.

*Level 3 Fair Value Measurements*

Level 3 consists of financial instruments whose values are determined using pricing models that utilize significant inputs that are primarily unobservable and significant to the fair value measurement.

The following table sets forth by level, within the Fair Value hierarchy, the Organization's investments at fair value as of June 30, 2018.

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and equivalents	\$7,009	\$7,009	\$-0-	\$-0-
Corporate bonds	1,525	-0-	1,525	-0-
Mutual funds	5,638,427	5,638,427	-0-	-0-
Certificates of deposit	<u>428,477</u>	<u>-0-</u>	<u>428,477</u>	<u>-0-</u>
Total Financial Assets	<u>\$6,075,438</u>	<u>\$5,645,436</u>	<u>\$430,002</u>	<u>\$-0-</u>

NOTE 7 – LEASED PREMISES:

Martha's Kitchen occupies premises located at 311 Willow Street, San Jose California located in Sacred Heart Parish Hall. The property is leased for a twenty-year period beginning July 1, 2003, with an option to renew for an additional five-year period.

The monthly rental payments during the current year have been \$6,341 per month. The next rent adjustment per the lease agreement will not be until July 1, 2018, based on the consumer price index for the San Francisco Urban Consumers for all items. Rent will be adjusted every three years thereafter. The minimum rental payments for the lease term follow:

**MARTHA’S KITCHEN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 7 – LEASED PREMISES (Cont’d):**

<b><u>YEAR</u></b>	<b><u>AMOUNT</u></b>
June 30, 2019	76,092
June 30, 2020	76,092
June 30, 2021	76,092
June 30, 2022	76,092
June 30, 2023	<u>76,092</u>
Total lease commitment	<u>\$380,460</u>

The organization also rents storage facilities on a monthly basis for \$695 per month.

**NOTE 8 – CONTINGENCIES:**

Martha’s Kitchen was successful in obtaining a grant in the amount of \$250,000 from the City of San Jose Community Development Block Grant program to pay for other construction costs incurred to bring the kitchen up to all code requirements and for enlarging the kitchen. The agreement provides for a lien secured by a deed of trust on the leasehold interest held by Martha’s Kitchen with the Catholic Diocese of San Jose. The lien is in effect until December 31, 2019, and provides that the note will become due and payable if (a) there is a sale of the facility by Martha’s Kitchen prior to December 31, 2019, (b) upon a change in use of the facility prior to December 31, 2019, or (c) upon a default under the Deed of Trust secured by the leasehold interest.

**NOTE 9 – BOARD DESIGNATED NET ASSETS:**

In January 2005, the Martha’s Kitchen Governing Board resolved to create a Board-designated Endowment Fund for long-term support of its operations. Up to 5% of the Endowment Fund as of the end of the prior fiscal year is authorized for an annual withdrawal to support operations, including investment management fees with respect to the Endowment Fund, on an as-needed basis during a fiscal year. As of June 30, 2018, the account balance was \$6,075,438.

**NOTE 10 – SUBSEQUENT EVENTS:**

The Organization has evaluated subsequent events through October 31, 2018, the date which financial statements were available to be issued. Changes in the stock and bond markets subsequent to June 30, 2018, have negatively impacted the fair market value of the Organization’s investments. As of October 31, 2018, the fair value of those investments is approximately \$160,000 less than the value shown on the accompanying balance sheet.

SUPPLEMENTARY INFORMATION

**MARTHA'S KITCHEN**

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018**

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Income</u>	<u>Federal Expenditures</u>
The Federal Emergency Management Agency	97.024	088000-052	\$ 35,000	\$ 35,000
Total Federal Financial Assistance			<u>\$ 35,000</u>	<u>\$ 35,000</u>

**NOTE—BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of Martha's Kitchen and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.



Certified Public Accountants

**THIELEN & ASSOCIATES, INC.**

people • planet • profit

**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***

To the Board of Directors  
Martha's Kitchen  
San Jose, California

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Martha's Kitchen (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated October 31, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Martha's Kitchen's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martha's Kitchen internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Martha's Kitchen's financial statements are free of 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*.



We noted certain matters that we reported to the management of Martha's Kitchen in a separate letter dated October 31, 2018.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Shieler & Associates*

Campbell, California  
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