

Martha's Kitchen

Financial Statements

June 30, 2025
(With Comparative Totals for 2024)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Martha's Kitchen

Opinion

We have audited the accompanying financial statements of Martha's Kitchen (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 Martha's Kitchen as of June 30, 2025, 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 Martha's Kitchen 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 these 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 Martha's Kitchen'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, including omissions, 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 Martha's Kitchen'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 Martha's Kitchen'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 Summarized Comparative Information

We have previously audited Martha's Kitchen's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Jose, California

October 14, 2025

Martha's Kitchen
Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 837,216	\$ 246,713
Grants and contributions receivable	812,157	794,438
Inventory	128,644	232,812
Prepaid expenses	69,497	64,324
Other current assets	-	5,000
Total current assets	<u>1,847,514</u>	<u>1,343,287</u>
Property and equipment, net	<u>1,354,399</u>	<u>1,466,181</u>
Investments	<u>8,091,802</u>	<u>8,817,709</u>
Total assets	<u><u>\$ 11,293,715</u></u>	<u><u>\$ 11,627,177</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 77,663	\$ 49,842
Accrued expenses	<u>140,468</u>	<u>109,247</u>
Total current liabilities	<u>218,131</u>	<u>159,089</u>
Net assets		
Without donor restrictions		
Undesignated	28,001	500,000
Board-designated operating reserve	3,000,000	1,500,000
Board-designated kitchen upgrades/replacement reserve	-	1,093,050
Board-designated facility upgrades	-	1,000,000
Board-designated new facility/kitchen reserve	2,000,000	1,000,000
Board-designated financing reserve	4,000,000	4,000,000
Property and equipment, net	<u>1,354,399</u>	<u>1,466,181</u>
Total without donor restrictions	<u>10,382,400</u>	<u>10,559,231</u>
With donor restrictions	<u>693,184</u>	<u>908,857</u>
Total net assets	<u>11,075,584</u>	<u>11,468,088</u>
Total liabilities and net assets	<u><u>\$ 11,293,715</u></u>	<u><u>\$ 11,627,177</u></u>

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

Martha's Kitchen
Statement of Activities
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support and revenue				
In-kind contributions	\$ 3,431,159	\$ -	\$ 3,431,159	\$ 5,249,673
Grants and contributions	1,485,671	91,648	1,577,319	2,636,179
Government grants	-	28,053	28,053	358,689
Investment income, net	1,104,761	-	1,104,761	751,898
Proceeds from fundraising events	-	-	-	129,467
Less: cost of direct benefits to donors	(7,157)	-	(7,157)	(86,709)
Meal services program	319,050	-	319,050	7,438
Sacred Heart Nativity School lunch program	-	91,606	91,606	49,248
Other revenue	900	-	900	2,250
Net assets released from restrictions	<u>426,980</u>	<u>(426,980)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,761,364</u>	<u>(215,673)</u>	<u>6,545,691</u>	<u>9,098,133</u>
Functional expenses				
Program services	<u>6,065,696</u>	<u>-</u>	<u>6,065,696</u>	<u>7,990,108</u>
Support services				
Management and general	470,525	-	470,525	555,499
Fundraising	<u>207,164</u>	<u>-</u>	<u>207,164</u>	<u>222,525</u>
Total support services	<u>677,689</u>	<u>-</u>	<u>677,689</u>	<u>778,024</u>
Total functional expenses	<u>6,743,385</u>	<u>-</u>	<u>6,743,385</u>	<u>8,768,132</u>
Change in net assets from operations	17,979	(215,673)	(197,694)	330,001
Loss on disposal of property and equipment	<u>(194,810)</u>	<u>-</u>	<u>(194,810)</u>	<u>(315)</u>
Change in net assets	(176,831)	(215,673)	(392,504)	329,686
Net assets, beginning of year	<u>10,559,231</u>	<u>908,857</u>	<u>11,468,088</u>	<u>11,138,402</u>
Net assets, end of year	<u>\$ 10,382,400</u>	<u>\$ 693,184</u>	<u>\$ 11,075,584</u>	<u>\$ 11,468,088</u>

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

Martha's Kitchen
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
Personnel expenses					
Salaries and wages	\$ 1,193,505	\$ 254,855	\$ 99,890	\$ 1,548,250	\$ 1,676,476
Employee benefits	206,405	39,426	17,653	263,484	296,430
Payroll taxes	<u>94,361</u>	<u>17,215</u>	<u>7,256</u>	<u>118,832</u>	<u>130,870</u>
Total personnel expenses	<u>1,494,271</u>	<u>311,496</u>	<u>124,799</u>	<u>1,930,566</u>	<u>2,103,776</u>
Donated food and goods distributed	3,370,234	-	-	3,370,234	4,993,350
Occupancy, including in-kind	409,993	24,983	22,886	457,862	596,719
Depreciation and amortization	261,972	1,621	6,329	269,922	234,071
Purchased food and supplies distributed	262,196	-	-	262,196	256,509
Travel	115,397	4,114	909	120,420	99,447
Insurance	78,930	11,391	9,770	100,091	122,691
Professional services	6,504	52,049	9,712	68,265	117,485
Equipment rental and maintenance	39,559	6,283	1,728	47,570	91,205
Miscellaneous	306	30,110	-	30,416	37,639
Printing and publications	-	61	26,967	27,028	38,626
Telephone	14,853	6,199	1,047	22,099	23,790
Supplies	3,104	15,760	921	19,785	31,684
Outside services	8,377	-	-	8,377	12,915
Costs of direct benefits to donors	-	-	7,157	7,157	86,709
Postage and shipping	-	3,928	856	4,784	3,159
Dues and subscriptions	<u>-</u>	<u>2,530</u>	<u>1,240</u>	<u>3,770</u>	<u>5,066</u>
Total	<u>4,571,425</u>	<u>159,029</u>	<u>89,522</u>	<u>4,819,976</u>	<u>6,751,065</u>
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(7,157)</u>	<u>(7,157)</u>	<u>(86,709)</u>
	<u>\$ 6,065,696</u>	<u>\$ 470,525</u>	<u>\$ 207,164</u>	<u>\$ 6,743,385</u>	<u>\$ 8,768,132</u>
Percentage of total	<u>90 %</u>	<u>7 %</u>	<u>3 %</u>	<u>100 %</u>	

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

Martha's Kitchen
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ (392,504)	\$ 329,686
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donated food and goods received	(3,222,505)	(4,837,484)
Donated supplies received	(43,561)	(157,081)
Donated property and equipment received	(4,585)	-
Donated food and goods distributed	3,370,234	4,993,350
Depreciation and amortization	269,922	234,071
Net realized and unrealized gains on investments	(867,265)	(514,723)
Loss on disposal of property and equipment	194,810	315
Changes in operating assets and liabilities		
Grants and contributions receivable	(17,719)	(27,646)
Prepaid expenses	(5,173)	113,816
Other current assets	5,000	10,000
Accounts payable	27,821	(88,313)
Accrued expenses	31,221	(15,374)
Deferred revenue	-	(69,000)
Net cash used in operating activities	<u>(654,304)</u>	<u>(28,383)</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	9,000	-
Purchases of property and equipment	(357,365)	(447,465)
Purchases of investments	(7,383,497)	(4,388,121)
Sales of investments	<u>8,976,669</u>	<u>4,614,557</u>
Net cash provided by (used in) investing activities	<u>1,244,807</u>	<u>(221,029)</u>
Net increase (decrease) in cash and cash equivalents	590,503	(249,412)
Cash and cash equivalents, beginning of year	<u>246,713</u>	<u>496,125</u>
Cash and cash equivalents, end of year	<u>\$ 837,216</u>	<u>\$ 246,713</u>

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

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS

Martha's Kitchen (the "Organization") is a nonprofit public benefit corporation whose mission is to provide hot meals and support to people in need in Santa Clara County, California, and surrounding areas. The Organization began in the 1960s when founder Louise Benson gave out peanut butter sandwiches and other essentials to the people in need from her garage in the Willow Glen area of San Jose, California. When neighbors complained about the lines of poor people in the neighborhood, she moved her ministry to her home parish in 1981. A few years later, the Organization was absorbed by Catholic Charities until 2001 when it incorporated as an independent nonprofit organization.

The Organization leases kitchen and dining room facilities at 311 Willow Street, San Jose, California from the Catholic Diocese of San Jose. It also previously leased similar facilities at 112 East Beach Street in Watsonville, California; that lease was terminated in July 2024. During the year ended June 30, 2025, 792,549 meals and 1,451,417 pounds of groceries were either served at the facility or distributed to other food service facilities.

The Organization provided meals and support to people in need in the following counties for the year ended June 30, 2025:

- Santa Clara
- Santa Cruz
- San Benito
- San Mateo
- Fresno

The Organization measures success by counting the number of meals prepared and the number of serving sites. In the past few years, the Organization has more than tripled the number of meals it prepares from less than 250,000 to over 1,206,000 a year; and more than doubled the number of partners-serving sites from 30 to 57 as of year ended June 30, 2025. When the COVID-19 pandemic hit in 2020, the Organization nearly doubled the number of hot meals being served. The amount of groceries distributed has also increased dramatically since the onset of COVID-19 and the Organization distributed more than 1.5 million pounds of groceries in the past year.

The Organization is a community-driven organization. Although it is a small organization, this soup kitchen received 18,503 hours of volunteer time valued at \$742,710 during the year ended June 30, 2025 to help with its mission of feeding the hungry. The value of volunteer time is based on the estimated hourly value of volunteer time in the state of California as determined by Independent Sector (independentsector.org). The local food bank and grocery stores as well as large venues donated food, property and equipment, rent and supplies totaling \$3,431,159 during the year ended June 30, 2025 (see Note 7).

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - Net assets not subject to donor imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time, or are maintained in perpetuity by the Organization. When the donor-imposed stipulation ends or the Organization satisfies an action, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments include certificates of deposit, corporate bonds, municipal bonds, governmental obligations, equity securities, and mutual funds. 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, and interest and dividends, are included in the change in net assets.

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reflect 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 years ended June 30, 2025 and 2024.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and equipment

Property and equipment valued in excess of \$2,500 at time of acquisition or donation are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	25 years
Furniture, fixtures and equipment	5 - 15 years
Automobiles	5 years
Software	5 years

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Organization generates revenue through meal services program. The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Revenue from meal services program are recognized as revenue in the period in which the meals are provided.

Grants and contributions

Grants and contributions are recognized when the donor makes a promise to give that is, in substance, an unconditional promise. Grants and contributions are recorded as without or with donor restrictions depending on the nature or absence of donor restrictions. Grants and contributions with donor restrictions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Grants and contributions that are considered conditional promises to give, which contain barriers and a right of return or right of release, are not recognized until the barrier has been overcome and there is no longer a right of return or release, at which time, the gift is recognized as either grants and contributions revenue with or without restriction. As of June 30, 2025, the Organization had conditional grants and contributions totaling \$353,693.

In-kind contributions

Donated supplies and equipment are recorded at their fair market value as of the date of the donation. Donated rent is valued based on the rent price for comparable space in the same area. 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. Donated food and goods was valued based on a cost study conducted for Feeding America. See Note 7.

The Organization also receives donated services that do not require specific expertise and are appropriately not reflected in the accompanying financial statements, but which are nonetheless central to the Organization's operations (see Note 7).

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

Advertising costs are expensed as incurred. For the years ended June 30, 2025 and 2024, advertising expense totaled \$27,028 and \$38,626, respectively.

Expense allocation

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited. Indirect expense allocations are based on an analysis of personnel time, square footage, and similar factors.

Income tax status

The Organization 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 the Organization's operations and concluded the financial statements do not include any uncertain tax positions. Accordingly, no provision for income taxes has been made in the accompanying statements.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash, bonds, and equities. The Organization 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 the Organization periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2025 and 2024, and is included in accrued expenses in the statement of financial position.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2025 for potential recognition or disclosure in the financial statements. The Organization had subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2025 (see Note 12). Subsequent events have been evaluated through the date the financial statements became available to be issued, October 14, 2025.

Martha's Kitchen
Notes to Financial Statements
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(With Comparative Totals for 2024)

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization'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.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2025 and 2024 to fund general expenditures and other obligations as they become due:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 837,216	\$ 246,713
Grants and contributions receivable	812,157	794,438
Investments	<u>8,091,802</u>	<u>8,817,709</u>
	<u>9,741,175</u>	<u>9,858,860</u>
Less: portion not available for current use		
Board-designated line of credit reserve	(4,000,000)	(4,000,000)
Board-designated new facility/kitchen reserve	(2,000,000)	(1,000,000)
Net assets restricted for a specified purpose	(693,184)	(908,857)
Board-designated kitchen upgrades/replacement reserves	-	(1,093,050)
Board-designated facility updates	<u>-</u>	<u>(1,000,000)</u>
	<u>(6,693,184)</u>	<u>(8,001,907)</u>
	<u><u>\$ 3,047,991</u></u>	<u><u>\$ 1,856,953</u></u>

The Organization has unrestricted cash and cash equivalents, grants and contribution receivable and investments available for general operation purposes. As of June 30, 2025, the Organization had \$3,047,991 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

4. INVENTORY

Inventory consisted of the following:

	<u>2025</u>	<u>2024</u>
Donated food	\$ 128,644	\$ 232,812

Martha's Kitchen
Notes to Financial Statements
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5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 5,208,407	\$ -	\$ -	\$ 5,208,407
Fixed income funds *	<u>-</u>	<u>2,883,395</u>	<u>-</u>	<u>2,883,395</u>
	<u>\$ 5,208,407</u>	<u>\$ 2,883,395</u>	<u>\$ -</u>	<u>\$ 8,091,802</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 5,084,029	\$ -	\$ -	\$ 5,084,029
Mutual funds	2,204,643	-	-	2,204,643
Fixed income funds *	-	1,262,749	-	1,262,749
Alternatives	<u>266,288</u>	<u>-</u>	<u>-</u>	<u>266,288</u>
	<u>\$ 7,554,960</u>	<u>\$ 1,262,749</u>	<u>\$ -</u>	<u>\$ 8,817,709</u>

* Fixed income funds classified within Level 2 of the fair value hierarchy are valued using a market approach based on observable inputs. These securities typically include corporate bonds, municipal bonds, government agency securities, and other high-quality fixed income instruments held across various investment portfolios.

There were no transfers between levels of the fair value hierarchy during the reporting period.

Investment income consisted of the following:

	<u>2025</u>	<u>2024</u>
Net realized and unrealized gains	\$ 867,265	\$ 514,723
Interest and dividends	<u>315,575</u>	<u>308,519</u>
	1,182,840	823,242
Investment fees	<u>(78,079)</u>	<u>(71,344)</u>
	<u>\$ 1,104,761</u>	<u>\$ 751,898</u>

Martha's Kitchen
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 2,097,064	\$ 2,097,064
Furniture, fixtures and equipment	1,012,859	996,302
Automobiles	615,650	606,205
Software	43,126	43,126
Construction in progress *	<u>192,783</u>	<u>148,583</u>
	3,961,482	3,891,280
Accumulated depreciation and amortization	<u>(2,607,083)</u>	<u>(2,425,099)</u>
	<u><u>\$ 1,354,399</u></u>	<u><u>\$ 1,466,181</u></u>

Depreciation and amortization expense totaled \$269,922 and \$234,071 for the years ended June 30, 2025 and 2024, respectively.

* Construction in progress consisted of pre-acquisition costs and a deposit related to the purchase of the new building on Story Road, acquired in July 2025 (see Note 12).

7. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	<u>2025</u>	<u>2024</u>
Donated food and goods to be distributed	\$ 3,222,505	\$ 4,837,484
Donated supplies	43,561	157,081
Donated rent	160,508	255,108
Donated equipment	<u>4,585</u>	<u>-</u>
	<u><u>\$ 3,431,159</u></u>	<u><u>\$ 5,249,673</u></u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed food and goods, rent, supplies and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

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7. IN-KIND CONTRIBUTIONS (continued)

Donated food and goods to be distributed consists of food and goods contributed by donors for use by the Organization's program and are valued at \$1.90 and \$1.97 per pound for the years ended June 30, 2025 and 2024, respectively. Donated food and goods received from Second Harvest of Silicon Valley were valued ranging from \$1.72 to \$1.90 per pound and ranging from \$1.74 to \$1.97 per pound for the years ended June 30, 2025 and 2024, respectively. The valuation is based on a cost study conducted for Feeding America. Donated supplies consists of goods contributed by donors for use in the Organization's programs, and are valued based on management's online research of the sales price of similar items as of the date of the donation. Donated rent consists of facilities rented to the Organization valued based on the rent price for comparable space in the same area. Donated equipment was valued based on management's online research of the sales price of similar equipment at the time of donation.

8. COMMITMENTS AND CONTINGENCIES

Operating leases

The Organization occupies a 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 lease expired on June 30, 2023. The landlord has given the Organization a written commitment to extend the lease for five years. However, no actual lease extension has been executed, therefore for accounting purposes the lease is being treated as a month-to-month lease. The rental payment was \$6,341 per month.

The Organization occupied a premises located at 112 East Beach Street, Watsonville, California located in United Presbyterian Church. The property was leased for one-year period beginning March 1, 2022. The lease payment was \$1,000 per month. It was then leased on a monthly basis starting March 1, 2023. The Organization ended the lease on July 31, 2024.

The Organization also rents storage facilities on a monthly basis that was approximately \$3,200 per month. Starting from April 2025, the rent rate for storage was approximately \$3,300 per month.

Rent expense (excluding in-kind) for the years ended June 30, 2025 and 2024 totaled \$122,283 and \$158,389, respectively.

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9. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2024, the Organization held investments with Morgan Stanley valued at approximately \$8.5 million (see Note 5). A member of the Organization's Board of Directors and Finance Advisory Committee is a Senior Vice President at Morgan Stanley. Investment fees paid to Morgan Stanley for the year ended June 30, 2024 totaled approximately \$71,300 as reported on the monthly investment statements. During the period from December 5, 2022 through October 2, 2023, this individual was not an active member of the Organization's Board of Directors and Finance Advisory Committee but had Emeritus Status. This individual once again became an active member of the Organization's Board of Directors and Finance Advisory Committee between October 3, 2023 and July 29, 2024. This individual is no longer an active member since fiscal year 2024.

10. BOARD-DESIGNATED NET ASSETS

Martha's Kitchen's Board of Directors (the "Board") conducts an annual review of board-designated funds to assess and reaffirm their intended purposes.

Board-designated operating reserve

The Board designated \$1,500,000 as an operating reserve for the fiscal years ended June 30, 2025 and 2024, respectively. The target operating reserve amount is based on six to twelve months of budgeted cash operating expenses. The Board designated additional \$1,500,000 to cover the estimated operating loss for the fiscal year ending June 30, 2026.

Board-designated kitchen upgrades/replacement reserve

For the fiscal year ended June 30, 2024, the Board designated \$1,093,050 for planned kitchen upgrades and/or equipment replacement. This designation was reduced to \$0 during the fiscal year ended June 30, 2025.

Board-designated financing reserve

For the fiscal year ended June 30, 2024, the Board designated \$4,000,000 as a reserve to support a line of credit. The designated amount remained unchanged for the fiscal year ended June 30, 2025. The Board intends to utilize the line of credit to finance the purchase of a new building.

Board-designated new facility/kitchen reserve

For the fiscal year ended June 30, 2024, the Board designated \$1,000,000 for a new facility. For the fiscal year ended June 30, 2025, the Board designated \$2,000,000 to build the kitchen in the new facility.

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10. BOARD-DESIGNATED NET ASSETS (continued)

Board-designated facility upgrades

For the fiscal year ended June 30, 2024, the Board designated \$1,000,000 for facility upgrades. This designation was reduced to \$0 during the fiscal year ended June 30, 2025.

Investment objective

The investment objective for the portfolio is long-term growth of capital with the endeavor to be socially responsible in the Organization's investments. The time horizon for the portfolio is sufficient to assume risk consistent with equity ownership. Cash and/or money market balances will be maintained primarily for reinvestment purposes, with a portion of funds maintained in certificates of deposit to ensure liquidity, if necessary.

The equity portion of the portfolio will be diversified across a number of mutual funds or indices, with particular emphasis on domestic large cap value and growth companies. For diversification and risk minimization purposes, a portion of the equity portfolio will consist of small/medium cap companies and/or international equities.

Fixed income holdings will consist of intermediate government and corporate bonds with investment grade rating by Standard & Poor's or Moody's; or mortgage-backed securities, such as, U.S. Government or Agency Mortgage pass-through securities rated AA or better.

The portfolio's asset allocation will pursue the long-term target mix shown below, which enables the fund to achieve stable portfolio growth with limited downside risk. In varying market environments, the allocation may change within the following guidelines.

Target investment allocation will be as follows:

	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Equity	60 %	45 %	75 %
Bonds/fixed income	20 %	10 %	30 %
Cash equivalents	10 %	5 %	15 %
Alternatives	10 %	0 %	15 %

The target mix of the funds invested in mutual funds will be as follows:

Domestic large cap value stocks	30 %
Domestic large cap growth stocks	30 %
International stocks	20 %
Small/medium cap stocks	20 %

The allocation of the mutual fund investments will be reviewed semiannually in July and January and be reallocated to approximate the target mix.

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2024	Additions	Releases	Balance at June 30, 2025
Purchase of property and equipment	\$ 907,464	\$ 6,648	\$ (220,928)	\$ 693,184
Toy distribution services	1,393	85,000	(86,393)	-
Meal distribution services	-	28,053	(28,053)	-
Lunch program	-	91,606	(91,606)	-
	<u>\$ 908,857</u>	<u>\$ 211,307</u>	<u>\$ (426,980)</u>	<u>\$ 693,184</u>

12. SUBSEQUENT EVENTS

On July 8, 2025, the Organization entered into a secured line of credit ("LOC") with Busey Bank in the amount of \$4 million.

On July 28, 2025, the Organization acquired a property located at 749 Story Road for approximately \$7.5 million. The acquisition was financed through a \$4.975 million mortgage loan from Heritage Bank and a draw of approximately \$2 million from the LOC. Management intends to repay the LOC using funds raised or to be raised in connection with the acquisition, including a forthcoming contribution. At the time of the building's acquisition, the Organization assumed an existing 10-year lease agreement for a portion of the property. To limit liability associated with leasing activities, the Organization formed a single-member limited liability company ("LLC") to hold title to the property.