Martha's Kitchen and Subsidiary

Consolidated Financial Statements

June 30, 2026
(With Comparative Totals for 2025)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Martha's Kitchen and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Martha's Kitchen (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2026, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Martha's Kitchen and Subsidiary as of June 30, 2026, and the changes in their net assets and their 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 2025 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

San Jose, California

October 9, 2026

Martha's Kitchen and Subsidiary
Consolidated Statement of Financial Position
June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents	$ 737,150	$ 837,216
Accounts receivable, net	303,830	62,157
Current portion of grants and contributions receivable	65,000	750,000
Inventory	170,194	128,644
Prepaid expenses	43,608	69,497
Total current assets	1,319,782	1,847,514
Property and equipment, net	9,210,512	1,354,399
Other assets		
Investments	7,254,729	8,091,802
Grants and contributions receivable, net of current portion	65,000	-
Security deposits	19,500	-
Total other assets	7,339,229	8,091,802
Total assets	$ 17,869,523	$ 11,293,715

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

Martha's Kitchen and Subsidiary
Consolidated Statement of Financial Position
June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 47,994	$ 77,663
Accrued expenses	178,767	140,468
Deferred rental income	108,000	-
Current portion of notes payable	143,460	-
Total current liabilities	478,221	218,131
Long-term liabilities		
Notes payable, net of current portion and unamortized debt issuance costs	6,275,884	-
Security deposits	19,500	-
Total long-term liabilities	6,295,384	-
Total liabilities	6,773,605	218,131
Net assets		
Without donor restrictions		
Undesignated	73,493	28,001
Board-designated operating reserve	3,000,000	3,000,000
Board-designated new facility/kitchen reserve	1,100,000	2,000,000
Board-designated financing reserve	4,000,000	4,000,000
Net investment in property and equipment	2,791,168	1,354,399
Total without donor restrictions	10,964,661	10,382,400
With donor restrictions	131,257	693,184
Total net assets	11,095,918	11,075,584
Total liabilities and net assets	$ 17,869,523	$ 11,293,715

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

Martha's Kitchen and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	Without Donor Restrictions	With Donor Restrictions	2026 Total	2025 Total
Support and revenue				
In-kind contributions	$ 2,077,014	$ -	$ 2,077,014	$ 3,431,159
Grants and contributions	1,727,368	586,190	2,313,558	1,577,319
Government grants	-	493,251	493,251	28,053
Investment income, net	1,051,799	-	1,051,799	1,104,761
Proceeds from fundraising events	151,508	-	151,508	-
Less: cost of direct benefits to donors	(25,911)	-	(25,911)	-
Meal services program	982,982	-	982,982	410,656
Rental income	165,303	-	165,303	-
Other revenue	2,425	-	2,425	900
Net assets released from restrictions	1,641,368	(1,641,368)	-	-
Total support and revenue	7,773,856	(561,927)	7,211,929	6,552,848
Functional expenses				
Program services	6,303,433	-	6,303,433	6,065,696
Support services				
Management and general	619,547	-	619,547	470,525
Fundraising	264,565	-	264,565	214,321
Total support services	884,112	-	884,112	684,846
Total functional expenses	7,187,545	-	7,187,545	6,750,542
Change in net assets from operations	586,311	(561,927)	24,384	(197,694)
Loss on disposal of property and equipment	(4,050)	-	(4,050)	(194,810)
Change in net assets	582,261	(561,927)	20,334	(392,504)
Net assets, beginning of year	10,382,400	693,184	11,075,584	11,468,088
Net assets, end of year	$ 10,964,661	$ 131,257	$ 11,095,918	$ 11,075,584

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

Martha's Kitchen and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	Program Services	Management and General	Fundraising	2026 Total	2025 Total
Personnel expenses					
Salaries and wages	$ 1,687,737	$ 267,985	$ 153,394	$ 2,109,116	$ 1,548,250
Employee benefits	238,220	42,286	13,597	294,103	263,484
Payroll taxes	140,236	18,248	12,242	170,726	118,832
Total personnel expenses	2,066,193	328,519	179,233	2,573,945	1,930,566
Donated food and goods distributed	1,970,147	-	-	1,970,147	3,370,234
Occupancy, including in-kind	413,358	31,190	27,219	471,767	457,862
Depreciation and amortization	326,620	1,351	6,329	334,300	269,922
Interest expense	388,144	-	-	388,144	-
Purchased food and supplies distributed	616,945	-	-	616,945	262,196
Travel	129,219	3,683	1,298	134,200	120,420
Insurance	117,332	18,685	8,261	144,278	100,091
Professional services	12,734	134,798	5,718	153,250	68,265
Equipment rental and maintenance	193,868	32,998	8,128	234,994	47,570
Miscellaneous	21,248	25,072	755	47,075	30,416
Printing and publications	1,731	-	19,355	21,086	27,028
Telephone	26,932	6,709	1,853	35,494	22,099
Supplies	9,725	31,530	2,480	43,735	19,785
Outside services	9,237	-	317	9,554	8,377
Costs of direct benefits to donors	-	-	25,911	25,911	7,157
Postage and shipping	-	1,712	-	1,712	4,784
Dues and subscriptions	-	2,800	3,619	6,419	3,770
Contributions	-	500	-	500	-
Total	4,237,240	291,028	111,243	4,639,511	4,819,976
Less: expenses included with revenues on the statement of activities	-	-	(25,911)	(25,911)	-
	$ 6,303,433	$ 619,547	$ 264,565	$ 7,187,545	$ 6,750,542
Percentage of total	88 %	8 %	4 %	100 %	

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

Martha's Kitchen and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
Cash flows from operating activities		
Change in net assets	$ 20,334	$ (392,504)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donated food and goods received	(1,975,624)	(3,222,505)
Donated supplies received	(36,073)	(43,561)
Donated property and equipment received	-	(4,585)
Donated food and goods distributed	1,970,147	3,370,234
Depreciation	334,300	269,922
Amortization of debt issuance cost	6,781	-
Net realized and unrealized gains on investments	(753,345)	(867,265)
Loss on disposal of property and equipment	4,050	194,810
Contributions restricted for acquisition of property and equipment	(447,690)	(693,184)
Changes in operating assets and liabilities		
Account receivable, net	(241,673)	(54,719)
Grants and contributions receivable	620,000	37,000
Prepaid expenses	25,889	(5,173)
Other current assets	-	5,000
Accounts payable	(29,669)	27,821
Accrued expenses	38,299	31,221
Deferred rent	108,000	-
Security deposit	19,500	-
Net cash used in operating activities	(336,774)	(1,347,488)
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	9,000
Purchases of property and equipment	(8,194,463)	(357,365)
Purchases of investments	(699,575)	(7,383,497)
Sales of investments	2,289,993	8,976,669
Net cash provided by (used in) investing activities	(6,604,045)	1,244,807
Cash flows from financing activities		
Proceeds from notes payable	4,975,000	-
Proceeds from line of credit	2,341,227	-
Payments on notes payable	(851,879)	-
Debt issuance cost	(51,785)	-
Contributions restricted for acquisition of property and equipment	447,690	693,184
Net cash provided by financing activities	6,860,253	693,184
Net increase (decrease) in cash, cash equivalents and restricted cash	(80,566)	590,503
Cash, cash equivalents and restricted cash, beginning of year	837,216	246,713
Cash, cash equivalents and restricted cash, end of year	$ 756,650	$ 837,216

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

Martha's Kitchen and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 737,150	$ 837,216
Security deposits	19,500	-
	$ 756,650	$ 837,216

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 368,156	$ -

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

Martha's Kitchen and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2026
(With Comparative Totals for 2025)

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.

In July 2025, the Organization formed 749 Story Road LLC, a wholly owned single-member limited liability company, to hold title to the property located at 749 Story Road, San Jose, California (the "749 Story Road"), where the Organization operates its kitchen and dining facilities. The Organization also leases a kitchen at 311 Willow Street, San Jose, California, from the Catholic Diocese of San Jose. During the year ended June 30, 2026, 632,235 meals and 714,000 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, 2026:

- Monterey
- 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 1,225,000 a year; and more than doubled the number of partners-serving sites from 30 to 89 as of year ended June 30, 2026. 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.

The Organization is a community-driven organization. Although it is a small organization, this soup kitchen received 15,162 hours of volunteer time valued at $632,991 during the year ended June 30, 2026 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 $2,077,014 during the year ended June 30, 2026 (see Note 8).

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.

Basis of consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary - 749 Story Road LLC. All significant intercompany balances and transactions have been eliminated.

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 corporate bonds, municipal bonds, government agency securities, equity securities, and mutual funds. Investments with readily determinable fair values and all debt securities are reported at fair value in the statement of financial position. Realized and unrealized gains and losses, and interest and dividend income, are included in the change in net assets.

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, 2026 and 2025.

- *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.

Accounts receivable

Accounts receivable consist primarily of amounts due from customers under meal service contracts. Accounts receivable are recorded at the invoiced amount and do not bear interest. Management estimates an allowance for credit losses based on historical collection experience, current conditions, reasonable and supportable forecasts, and specific customer accounts deemed at risk of nonpayment. As of June 30, 2026 and 2025, no allowance for credit losses was considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at the amount management expects to collect. Management periodically evaluates receivables for collectibility and records an allowance for credit losses when necessary.

Inventory

Inventory consists primarily of donated food held for distribution. Donated food inventory is recorded at fair value as of the date received based on valuation information provided by Feeding America, food donation organizations, and other available market data. Inventory is recorded as expense when distributed through the Organization's programs.

Property and equipment

Property and equipment valued in excess of $2,000 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	Remaining lease term
Building and improvements	35 years
Furniture, fixtures and equipment	5 - 15 years
Automobiles	5 years
Software	5 years

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2026 and 2025, and is included in accrued expenses in the statement of financial position.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are presented as a direct deduction from the related debt and are amortized over the term of the borrowing using the straight-line method, which approximates the effective interest method.

Security deposits

The Organization collects security deposits from the tenants upon move-in and records the deposits as liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Meal service program revenue

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, 2026 and 2025, the Organization had conditional grants and contributions totaling $0 and $353,693, respectively.

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 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions (continued)

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 8).

Rental income

Rental income is recognized as earned under the terms of tenant lease agreements. Advance rental payments are recorded as deferred rent until earned.

Advertising costs

Advertising costs are expensed as incurred. For the years ended June 30, 2026 and 2025, advertising expense totaled $21,086 and $27,028, respectively.

Leases

The Organization accounts for leases in accordance with ASC 842, Leases. The Organization is both a lessee and a lessor under various lease arrangements. All of the Organization's leases are classified as operating leases.

As a lessee, the Organization has elected the short-term lease exemption for leases with an initial term of 12 months or less. Accordingly, such leases are not recognized as right-of-use assets or lease liabilities in the statement of financial position. Lease expense is recognized on a straight-line basis over the lease term.

As a lessor, the Organization leases certain facilities and equipment to third parties under operating lease agreements. Lease income is recognized on a straight-line basis over the lease term. Variable lease payments are recognized as income in the period in which the changes in facts and circumstances on which the variable payments are based occur.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 tax positions and concluded that the consolidated financial statements do not include any material uncertain tax positions. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

No income tax provision has been included in the consolidated financial statements for 749 Story Road LLC which is generally considered a disregarded entity. The income and loss of this LLC is included in the tax returns of the Organization. Only the annual California limited liability company minimum tax and the annual fee appear as expense in the consolidated financial 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.

Reclassifications

Certain 2025 balances have been reclassified to conform to the 2026 consolidated financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2026 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2026. Subsequent events have been evaluated through the date the financial statements became available to be issued, October 9, 2026.

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, 2026 and 2025 to fund general expenditures and other obligations as they become due:

	2026	2025
Cash and cash equivalents	$ 737,150	$ 837,216
Accounts receivable, net	303,830	62,157
Grants and contributions receivable	130,000	750,000
Investments	7,254,729	8,091,802
	8,425,709	9,741,175
Less: portion not available for current use		
Board-designated financing reserve	(4,000,000)	(4,000,000)
Board-designated operating reserve	(1,500,000)	(1,500,000)
Board-designated new facility/kitchen reserve	(1,100,000)	(2,000,000)
Net assets subject to time restrictions	(65,000)	-
Net assets restricted for a specified purpose	(1,257)	(693,184)
	(6,666,257)	(8,193,184)
	$ 1,759,452	$ 1,547,991

The Organization has unrestricted cash and cash equivalents, accounts receivable, grants and contribution receivable and investments available for general operation purposes. The Organization maintains a Board-designated operating reserve to support future fiscal year operations. As of June 30, 2026 and 2025, $1.5 million designated for the subsequent fiscal year remained available for general expenditures within one year and is therefore included in available financial assets. The remaining $1.5 million designated for future fiscal years beyond one year has been excluded from financial assets available for general expenditures. As of June 30, 2026, the Organization had $1,759,452 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:

	2026	2025
Donated food	$ 170,194	$ 128,644

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, 2026:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 4,956,873	$ -	$ -	$ 4,956,873
Fixed income funds *	-	2,297,856	-	2,297,856
	$ 4,956,873	$ 2,297,856	$ -	$ 7,254,729

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

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

* Fixed income funds classified within Level 2 of the fair value hierarchy are valued using observable market inputs and pricing information obtained from independent pricing services. Such investments primarily consist of corporate bonds, municipal bonds, government agency securities, asset-backed securities, and fixed income funds.

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

Investment income consisted of the following:

	2026	2025
Net realized and unrealized gains	$ 753,345	$ 867,265
Interest and dividends	367,593	315,575
	1,120,938	1,182,840
Investment fees	(69,139)	(78,079)
	$ 1,051,799	$ 1,104,761

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2026	2025
Land	$ 5,000,000	$ -
Building and improvements	2,608,014	-
Leasehold improvements	2,097,064	2,097,064
Furniture, fixtures and equipment	1,096,575	1,012,859
Automobiles	637,065	615,650
Software	43,126	43,126
Construction in progress *	670,112	192,783
	12,151,956	3,961,482
Accumulated depreciation and amortization	(2,941,444)	(2,607,083)
	$ 9,210,512	$ 1,354,399

Depreciation and amortization expense totaled $334,300 and $269,922 for the years ended June 30, 2026 and 2025, respectively.

* Construction in progress consisted of expenditures for ongoing capital improvement projects at 749 Story Road, which had not been placed in service as of year-end. The projects are expected to be completed during the year ending June 30, 2027.

7. NOTES PAYABLE

Notes payable are detailed as follows:

	2026	2025
On July 8, 2025, the Organization entered into a $4,000,000 line of credit agreement with Busey Bank. The line of credit was obtained to provide financing for the acquisition and development of the 749 Story Road. The agreement bears variable interest rate and requires monthly interest-only payments. The interest rate at June 30, 2026 was 5%. All outstanding principal and accrued interest are due upon maturity on July 8, 2027. Management expects the line of credit to be renewed upon maturity. Borrowings under the agreement are subject to the terms and conditions established by the lender.	$ 2,341,227	$ -
On July 23, 2025, the Organization obtained a mortgage loan with an original principal balance of $4,975,000 to finance the acquisition of the 749 Story Road. The loan bears interest at 6.3% per annum and is secured by the related property. 749 Story Road, LLC holds the title to the property and manages liabilities associated with ownership and leasing activities. The loan requires monthly principal and interest payments of $33,259, which commenced in August 2025, and matures on July 21, 2032. During the year ended June 30, 2026, the outstanding principal balance was reduced by $750,000.	4,123,121	-
	6,464,348	-
Less unamortized debt issuance costs	(45,004)	-
	6,419,344	-
Current portion	(143,460)	-
	$ 6,275,884	$ -

7. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

Year ending June 30,	
2027	$ 143,460
2028	2,493,991
2029	162,670
2030	173,220
2031	184,453
Thereafter	3,306,554
	$ 6,464,348

Debt issuance costs related to the mortgage loan totaled $51,785 at inception, that is amortized to interest expense using the straight-line method over the life of the related notes payable. Amortization expense for the year ended June 30, 2026 was $6,781.

8. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2026	2025
Donated food and goods to be distributed	$ 1,975,624	$ 3,222,505
Donated supplies	36,073	43,561
Donated rent	65,317	160,508
Donated equipment	-	4,585
	$ 2,077,014	$ 3,431,159

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.

8. 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 $1.69 and $1.90 per pound for the years ended June 30, 2026 and 2025, respectively. Donated food and goods received from Second Harvest of Silicon Valley were valued at $1.69 per pound and ranging from $1.72 to $1.90 per pound for the years ended June 30, 2026 and 2025, 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.

9. 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. Monthly rent was $6,341 through August 2025 and was reduced to $5,000 effective September 2025.

The Organization also rents storage facilities on a monthly basis that was approximately $3,300 per month. Starting from April 2026, the rent rate for storage was approximately $3,612 per month.

Effective July 28, 2025, the Organization entered into an intercompany lease agreement with 749 Story Road, LLC for the use of the property located at 749 Story Road, San Jose, California. Monthly rent under this agreement is $29,546. As the lease is between entities included in the consolidated financial statements, all related rental income and rental expense are eliminated in consolidation.

In addition, the Organization leases a facility from the City of Hollister located at 327 Fifth Street, Hollister, California. Monthly rent under this lease was $488 from July 2025 through June 2026.

Rent expense (excluding in-kind) for the years ended June 30, 2026 and 2025 totaled $170,218 and $122,283, respectively.

10. RENTAL INCOME

The Organization leases a portion of its building at 749 Story Road to various entities starting from August 2025. The leases expire on various dates through July 2035 and will not be renewed upon expiration.

The future scheduled minimum rental income under the lease terms is as follows:

Year ending June 30,	
2027	$ 266,418
2028	266,418
2029	266,418
2030	216,000
2031	216,000
Thereafter	882,000
	$ 2,113,254

Rental income for the year ended June 30, 2026 was $165,303.

11. 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 $3,000,000 to cover the estimated operating loss for the fiscal years ending June 30, 2028 and 2027.

Board-designated financing reserve

For the fiscal years ended June 30, 2026 and 2025, the Board designated $4,000,000 as a reserve supporting the line of credit obtained to finance the acquisition of 749 Story Road.

Board-designated new facility/kitchen reserve

For the fiscal year ended June 30, 2025, the Board designated $2,000,000 to build the kitchen at 749 Story Road. During the fiscal year ended June 30, 2026, the Board reduced this designation to $1,100,000.

12. INVESTMENT OBJECTIVES AND ASSET ALLOCATION POLICY

The investment objective for the portfolio is long-term growth of capital. The time horizon for the portfolio is sufficient to assume risk consistent with equity ownership. Cash or cash equivalents will be maintained primarily for reinvestment purposes and to ensure liquidity as necessary.

The equity portion of the portfolio will be diversified across a number of mutual funds, ETF's, SMA's 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 companies.

Fixed income holdings will consist of intermediate government and corporate bonds, rated by Standard & Poor's or Moody's as investment grade or better; or mortgage-backed securities such a US Government or Agency Mortgage pass-through securities rated AA or better or equivalent. These may be procured through Mutual Funds, SMA's or EFT's.

The portfolio's asset allocation will pursue the long-term target mix shown below, which enables the fund to achieve consistent portfolio growth through multiple economic cycles, while at the same time managing risk. In varying market environments, the allocation may change within the following guidelines:

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type:

	Target	Minimum	Maximum
Equity	60 %	45 %	70 %
Fixed income	20 %	10 %	30 %
Cash equivalents	10 %	5 %	15 %
Alternatives	40 %	- %	15 %

The Finance Committee shall meet annually with the investment advisor. Investment statements shall be provided directly by the investment firm on a monthly basis, and the investment advisor shall rebalance the portfolio on a semi-annual basis.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2025	Additions	Releases	Balance at June 30, 2026
Purchase of property and equipment	$ 693,184	$ 447,690	$ (1,140,874)	$ -
Meal distribution services	-	501,751	(500,494)	1,257
General support - time restricted	-	130,000	-	130,000
	$ 693,184	$ 1,079,441	$ (1,641,368)	$ 131,257