

Martha's Table, Inc.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2012 AND 2011

WATKINS | MEEGAN

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Independent Auditors' Report

To the Board of Directors
Martha's Table, Inc.
Washington, DC

We have audited the accompanying financial statements of Martha's Table, Inc. (Martha's Table), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and change in net assets, statements of functional expenses, and statements of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 Table, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland
July 18, 2013

MARTHA'S TABLE, INC.

STATEMENTS OF FINANCIAL POSITION

| | December 31, | |
|---------------------------------------|--------------|--------------|
| | 2012 | 2011 |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 3,055,585 | \$ 2,027,657 |
| Investments | - | 1,065,959 |
| Pledges and Contributions Receivable | 265,888 | 322,462 |
| Grants Receivable | 132,153 | 140,755 |
| Prepaid Expenses | 10,696 | 34,140 |
| | 3,464,322 | 3,590,973 |
| PROPERTY AND EQUIPMENT, Net | 2,627,273 | 2,818,804 |
| | \$ 6,091,595 | \$ 6,409,777 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 295,018 | \$ 287,599 |
| Deferred Revenue | 38,147 | - |
| | 333,165 | 287,599 |
| NET ASSETS | | |
| Unrestricted: | | |
| Board Designated – Reserve Fund | 300,000 | 300,000 |
| Operating | 5,344,430 | 5,822,178 |
| Total Unrestricted | 5,644,430 | 6,122,178 |
| Temporarily Restricted | 114,000 | - |
| | 5,758,430 | 6,122,178 |
| | \$ 6,091,595 | \$ 6,409,777 |

MARTHA'S TABLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2012 AND 2011

MARTHA'S TABLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

| | Year Ended December 31, | | | | | |
|---|-------------------------|---------------------------|------------|--------------|---------------------------|--------------|
| | 2012 | | | 2011 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUES | | | | | | |
| Contributions and Grants | | | | | | |
| Individuals | \$ 755,743 | \$ 25,519 | \$ 781,262 | \$ 1,087,145 | \$ 27,330 | \$ 1,114,475 |
| Corporations | 61,861 | 245,919 | 307,780 | 142,442 | 86,094 | 228,536 |
| Foundations | 342,385 | 330,760 | 673,145 | 283,210 | 360,993 | 644,203 |
| Civic and Religious Groups | 56,689 | 19,255 | 75,944 | 70,981 | 3,398 | 74,379 |
| Combined Federal Campaign | 334,564 | 42,001 | 376,565 | 394,983 | 8,627 | 403,610 |
| Federal and State Funds | 1,439,937 | - | 1,439,937 | 1,250,998 | - | 1,250,998 |
| | 2,991,179 | 663,454 | 3,654,633 | 3,229,759 | 486,442 | 3,716,201 |
| In-Kind Contributions | | | | | | |
| Donated Food | 896,860 | - | 896,860 | 789,219 | - | 789,219 |
| Donated Clothing and Other Items | 1,830,449 | - | 1,830,449 | 1,176,857 | - | 1,176,857 |
| | 2,727,309 | - | 2,727,309 | 1,966,076 | - | 1,966,076 |
| Other Revenues | | | | | | |
| Childcare Co-Pay | 13,796 | - | 13,796 | 57,660 | - | 57,660 |
| Investment Income | 26,579 | - | 26,579 | 19,784 | - | 19,784 |
| Martha's Outfitters | 398,143 | - | 398,143 | 330,206 | - | 330,206 |
| Miscellaneous Income | 19,677 | - | 19,677 | 1,437 | - | 1,437 |
| Special Events, Net of Expenses of \$163,487 in 2012 and \$104,050 in 2011 | 193,225 | - | 193,225 | 194,521 | - | 194,521 |
| Net Assets Released from Restrictions – Satisfaction of Program Restrictions | 549,454 | (549,454) | - | 486,442 | (486,442) | - |
| | 1,200,874 | (549,454) | 651,420 | 1,090,050 | (486,442) | 603,608 |
| Total Support and Revenues | 6,919,362 | 114,000 | 7,033,362 | 6,285,885 | - | 6,285,885 |

| | Year Ended December 31, | | | | | |
|-----------------------------------|-------------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| | 2012 | | | 2011 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| EXPENSES | | | | | | |
| Program Services | | | | | | |
| Food Program | \$ 1,545,181 | \$ - | \$ 1,545,181 | \$ 1,264,171 | \$ - | \$ 1,264,171 |
| Martha's Outfitters | 1,840,146 | - | 1,840,146 | 1,262,947 | - | 1,262,947 |
| Elementary Program | 815,989 | - | 815,989 | 722,499 | - | 722,499 |
| Early Childhood Education Program | 1,396,310 | - | 1,396,310 | 1,283,185 | - | 1,283,185 |
| Older Youth Program | 335,382 | - | 335,382 | 330,669 | - | 330,669 |
| Bridge Program | 465,096 | - | 465,096 | 338,678 | - | 338,678 |
| Satellite | - | - | - | 95,642 | - | 95,642 |
| Total Program Services | <u>6,398,104</u> | <u>-</u> | <u>6,398,104</u> | <u>5,297,791</u> | <u>-</u> | <u>5,297,791</u> |
| Supporting Services | | | | | | |
| General Administration | 655,729 | - | 655,729 | 411,495 | - | 411,495 |
| Fundraising | 343,277 | - | 343,277 | 283,209 | - | 283,209 |
| Total Supporting Services | <u>999,006</u> | <u>-</u> | <u>999,006</u> | <u>694,704</u> | <u>-</u> | <u>694,704</u> |
| Total Expenses | <u>7,397,110</u> | <u>-</u> | <u>7,397,110</u> | <u>5,992,495</u> | <u>-</u> | <u>5,992,495</u> |
| CHANGE IN NET ASSETS | (477,748) | 114,000 | (363,748) | 293,390 | - | 293,390 |
| NET ASSETS, Beginning of Year | <u>6,122,178</u> | <u>-</u> | <u>6,122,178</u> | <u>5,828,788</u> | <u>-</u> | <u>5,828,788</u> |
| NET ASSETS, End of Year | <u>\$ 5,644,430</u> | <u>\$ 114,000</u> | <u>\$ 5,758,430</u> | <u>\$ 6,122,178</u> | <u>\$ -</u> | <u>\$ 6,122,178</u> |

MARTHA'S TABLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

| | Program Services | | | | | | Supporting Services | | | Total Expenses | |
|----------------------------------|---------------------|---------------------|--------------------|-----------------------------------|---------------------|-------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | Food Program | Martha's Outfitters | Elementary Program | Early Childhood Education Program | Older Youth Program | Bridge Program | Subtotal | General Administration | Fundraising | | Subtotal |
| PERSONNEL EXPENSES | | | | | | | | | | | |
| Salaries | \$ 302,241 | \$ 176,245 | \$ 237,267 | \$ 811,241 | \$ 165,222 | \$ 279,272 | \$ 1,971,488 | \$ 398,674 | \$ 236,649 | \$ 635,323 | \$ 2,606,811 |
| Payroll Taxes and Benefits | 52,830 | 29,947 | 55,779 | 170,235 | 26,888 | 44,086 | 379,765 | 112,035 | 38,615 | 150,650 | 530,415 |
| | <u>355,071</u> | <u>206,192</u> | <u>293,046</u> | <u>981,476</u> | <u>192,110</u> | <u>323,358</u> | <u>2,351,253</u> | <u>510,709</u> | <u>275,264</u> | <u>785,973</u> | <u>3,137,226</u> |
| OPERATING EXPENSES | | | | | | | | | | | |
| Children's Food | 24,604 | - | 31,825 | 78,245 | 24,109 | 25,697 | 184,480 | - | - | - | 184,480 |
| Cleaning | 8,676 | 7,733 | 14,576 | 16,242 | 5,500 | 5,333 | 58,060 | 2,201 | 533 | 2,734 | 60,794 |
| Depreciation and Amortization | 33,071 | 43,072 | 55,444 | 62,900 | 26,537 | 26,537 | 247,561 | 2,544 | 2,544 | 5,088 | 252,649 |
| Extermination | 757 | 650 | 981 | 1,224 | 542 | 566 | 4,720 | 132 | 73 | 205 | 4,925 |
| Food – Other | 63,589 | 30 | - | 155 | - | - | 63,774 | 43 | 6 | 49 | 63,823 |
| Gasoline | 11,331 | 1,696 | 867 | 884 | 867 | 867 | 16,512 | 7 | - | 7 | 16,519 |
| Insurance | 4,749 | 4,282 | 7,246 | 8,563 | 2,841 | 3,746 | 31,427 | 1,199 | 330 | 1,529 | 32,956 |
| Interest | - | 357 | - | - | - | - | 357 | 20 | - | 20 | 377 |
| Meetings | 282 | 187 | 455 | 965 | 144 | 584 | 2,617 | 3,025 | 2,518 | 5,543 | 8,160 |
| Miscellaneous | (399) | 2,885 | (162) | (1,175) | (122) | (121) | 906 | (157) | 3,976 | 3,819 | 4,725 |
| Newsletter | 6,405 | 3,878 | 4,340 | 4,353 | 4,093 | 4,133 | 27,202 | 1,010 | 17,951 | 18,961 | 46,163 |
| Postage | 2,400 | 3,370 | 1,600 | 2,180 | 2,121 | 1,560 | 13,231 | 686 | 8,888 | 9,574 | 22,805 |
| Professional Fees | 13,445 | 4,969 | 41,167 | 73,545 | 31,638 | 31,455 | 196,219 | 92,002 | 25,906 | 117,908 | 314,127 |
| Repairs and Maintenance | 18,673 | 8,709 | 10,708 | 22,093 | 7,380 | 5,018 | 72,581 | 20,384 | 976 | 21,360 | 93,941 |
| Supplies | 44,412 | 8,668 | 22,374 | 106,390 | 18,077 | 19,124 | 219,045 | 15,459 | 2,732 | 18,191 | 237,236 |
| Tax, Tags, and Licenses | 3,185 | 26,884 | 22 | 72 | 22 | 22 | 30,207 | 436 | 409 | 845 | 31,052 |
| Trash Removal | 4,124 | 3,487 | 5,900 | 6,975 | 2,410 | 2,681 | 25,577 | 974 | 269 | 1,243 | 26,820 |
| Travel | 4,661 | - | 6,178 | 1,851 | 5,966 | 5,156 | 23,812 | 1,135 | 214 | 1,349 | 25,161 |
| Utilities | 19,074 | 12,128 | 20,153 | 29,372 | 11,147 | 9,380 | 101,254 | 3,920 | 688 | 4,608 | 105,862 |
| | <u>263,039</u> | <u>132,985</u> | <u>223,674</u> | <u>414,834</u> | <u>143,272</u> | <u>141,738</u> | <u>1,319,542</u> | <u>145,020</u> | <u>68,013</u> | <u>213,033</u> | <u>1,532,575</u> |
| DONATION EXPENSES | | | | | | | | | | | |
| Donated Food | 762,331 | - | 134,529 | - | - | - | 896,860 | - | - | - | 896,860 |
| Donated Clothing and Other Items | 164,740 | 1,500,969 | 164,740 | - | - | - | 1,830,449 | - | - | - | 1,830,449 |
| | <u>927,071</u> | <u>1,500,969</u> | <u>299,269</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,727,309</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,727,309</u> |
| Total Expenses | <u>\$ 1,545,181</u> | <u>\$ 1,840,146</u> | <u>\$ 815,989</u> | <u>\$ 1,396,310</u> | <u>\$ 335,382</u> | <u>\$ 465,096</u> | <u>\$ 6,398,104</u> | <u>\$ 655,729</u> | <u>\$ 343,277</u> | <u>\$ 999,006</u> | <u>\$ 7,397,110</u> |

MARTHA'S TABLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

| | Program Services | | | | | | | Supporting Services | | | Total Expenses | |
|----------------------------------|---------------------|---------------------|--------------------|-----------------------------------|---------------------|-------------------|------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | Food Program | Martha's Outfitters | Elementary Program | Early Childhood Education Program | Older Youth Program | Bridge Program | Satellite | Subtotal | General Administration | Fundraising | | Subtotal |
| PERSONNEL EXPENSES | | | | | | | | | | | | |
| Salaries | \$ 224,800 | \$ 176,854 | \$ 235,951 | \$ 771,028 | \$ 162,151 | \$ 177,492 | \$ 78,716 | \$ 1,826,992 | \$ 256,398 | \$ 214,656 | \$ 471,054 | \$ 2,298,046 |
| Payroll Taxes and Benefits | 43,273 | 36,661 | 56,017 | 162,532 | 34,083 | 33,837 | 14,215 | 380,618 | 23,223 | 44,899 | 68,122 | 448,740 |
| | <u>268,073</u> | <u>213,515</u> | <u>291,968</u> | <u>933,560</u> | <u>196,234</u> | <u>211,329</u> | <u>92,931</u> | <u>2,207,610</u> | <u>279,621</u> | <u>259,555</u> | <u>539,176</u> | <u>2,746,786</u> |
| OPERATING EXPENSES | | | | | | | | | | | | |
| Bad Debt Expense | - | - | - | - | - | - | - | - | 32,184 | - | 32,184 | 32,184 |
| Children's Food | 1,786 | - | 37,002 | 89,011 | 26,817 | 27,851 | - | 182,467 | - | - | - | 182,467 |
| Cleaning | 11,559 | 8,563 | 14,492 | 20,557 | 6,587 | 6,587 | - | 68,345 | 1,316 | 659 | 1,975 | 70,320 |
| Depreciation and Amortization | 29,342 | 38,372 | 49,659 | 56,430 | 23,701 | 23,701 | - | 221,205 | 26,026 | 2,258 | 28,284 | 249,489 |
| Extermination | 756 | 614 | 1,040 | 1,229 | 473 | 472 | - | 4,584 | 95 | 47 | 142 | 4,726 |
| Food – Other | 52,585 | - | - | 187 | - | - | - | 52,772 | - | - | - | 52,772 |
| Gasoline | 10,650 | 130 | 654 | 654 | 655 | 655 | - | 13,398 | - | - | - | 13,398 |
| Insurance | 6,359 | 5,166 | 8,743 | 10,317 | 3,974 | 3,974 | - | 38,533 | 1,462 | 397 | 1,859 | 40,392 |
| Meetings | 148 | 83 | - | 475 | 1,235 | - | 125 | 2,066 | 4,229 | - | 4,229 | 6,295 |
| Miscellaneous | - | - | - | - | - | - | - | - | 5,857 | - | 7,742 | 13,599 |
| Newsletter | 7,792 | 3,551 | 4,983 | 5,326 | 5,326 | 5,326 | 85 | 32,389 | - | 3,635 | 3,635 | 36,024 |
| Postage | 1,609 | 6,624 | 1,594 | 2,539 | 1,728 | 1,594 | - | 15,688 | 2,659 | 1,594 | 4,253 | 19,941 |
| Professional Fees | 4,462 | 2,710 | 27,368 | 64,709 | 21,809 | 21,546 | - | 142,604 | 48,746 | 4,050 | 52,796 | 195,400 |
| Repairs and Maintenance | 20,136 | 9,045 | 12,966 | 14,604 | 5,609 | 6,364 | - | 68,724 | (3,198) | 634 | (2,564) | 66,160 |
| Supplies | 40,026 | 7,108 | 16,492 | 44,065 | 12,930 | 14,480 | 1,671 | 136,772 | 8,230 | 1,680 | 9,910 | 146,682 |
| Tax, Tags, and Licenses | 2,435 | 17,749 | - | - | - | - | - | 20,184 | 553 | - | 553 | 20,737 |
| Trash Removal | 3,917 | 2,969 | 5,024 | 6,263 | 2,020 | 2,284 | - | 22,477 | 461 | 229 | 690 | 23,167 |
| Travel | 2,134 | 28 | 3,427 | 1,215 | 10,086 | 2,517 | 830 | 20,237 | 654 | 180 | 834 | 21,071 |
| Utilities | 22,702 | 11,590 | 21,841 | 32,044 | 11,485 | 9,998 | - | 109,660 | 2,600 | 549 | 3,149 | 112,809 |
| | <u>218,398</u> | <u>114,302</u> | <u>205,285</u> | <u>349,625</u> | <u>134,435</u> | <u>127,349</u> | <u>2,711</u> | <u>1,152,105</u> | <u>131,874</u> | <u>23,654</u> | <u>155,528</u> | <u>1,307,633</u> |
| DONATION EXPENSES | | | | | | | | | | | | |
| Donated Food | 670,836 | - | 118,383 | - | - | - | - | 789,219 | - | - | - | 789,219 |
| Donated Clothing and Other Items | 106,864 | 935,130 | 106,863 | - | - | - | - | 1,148,857 | - | - | - | 1,148,857 |
| | <u>777,700</u> | <u>935,130</u> | <u>225,246</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,938,076</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,938,076</u> |
| Total Expenses | <u>\$ 1,264,171</u> | <u>\$ 1,262,947</u> | <u>\$ 722,499</u> | <u>\$ 1,283,185</u> | <u>\$ 330,669</u> | <u>\$ 338,678</u> | <u>\$ 95,642</u> | <u>\$ 5,297,791</u> | <u>\$ 411,495</u> | <u>\$ 283,209</u> | <u>\$ 694,704</u> | <u>\$ 5,992,495</u> |

MARTHA'S TABLE, INC.

STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|---|-------------------------|--------------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (363,748) | \$ 293,390 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities | | |
| Bad Debt Expense | - | 32,184 |
| Depreciation and Amortization | 252,649 | 249,489 |
| Donated Investments | (31,714) | (22,408) |
| Donated Property and Equipment | - | (28,000) |
| Unrealized and Realized Gains on Investments, Net | (18,839) | (19,784) |
| Change in: | | |
| Pledges and Contributions Receivable | 56,574 | (15,917) |
| Grants Receivable | 8,602 | 49,642 |
| Prepaid Expenses | 23,444 | 4,402 |
| Accounts Payable and Accrued Expenses | 7,419 | 26,413 |
| Deferred Revenue | 38,147 | (1,000) |
| Net Cash Provided by (Used in) Operating Activities | (27,466) | 568,411 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sales of Investments | 2,530,387 | 3,657,583 |
| Purchases of Investments | (1,413,875) | (3,295,616) |
| Purchases of Property and Equipment | (61,118) | (67,967) |
| Net Cash Provided by Investing Activities | 1,055,394 | 294,000 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 1,027,928 | 862,411 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 2,027,657 | 1,165,246 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 3,055,585 | \$ 2,027,657 |
| NONCASH INVESTING | | |
| Donated Investments and Property and Equipment | \$ 31,714 | \$ 50,408 |

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Martha's Table, Inc. (Martha's Table) was incorporated in the District of Columbia on December 6, 1979. Martha's Table is a not-for-profit corporation operating in the District of Columbia, the purpose of which is to establish food services for the poor, promote child nutrition and development, and make provisions for social services and economic opportunities.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in operating and money market bank accounts, cash on hand, and highly liquid investments with original maturities of 90 days or less.

Pledges and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are reflected as current pledges and contributions receivable and are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reflected as long-term pledges and contributions receivable and are recorded at their net present value using a risk adjusted discount rate. Amortization of the discount on long-term pledges and contributions receivable are recognized as contributions and grants revenue. All pledges and contributions receivable are expected to be collected within one year.

Management evaluates the need for allowances based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Based on management's evaluation of collectability of pledges and contributions receivable, no allowance for uncollectible accounts was required at December 31, 2012. An allowance for uncollectible accounts of \$32,184 was recognized at December 31, 2011. Bad debt expense was \$0 and \$32,184 for the years ended December 31, 2012 and 2011, respectively.

Grants Receivable

Grant expenses incurred before the related grant revenue is received are recorded as grants receivable.

Management evaluates the need for allowances based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Management considers all amounts under the terms of the grants at December 31, 2012 and 2011 to be collectible.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments at December 31, 2011 consisted of certificates of deposit, mutual funds, and government bonds and are reported based on quoted market prices. Certificates of deposit held for investment are not debt or equity securities. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Realized and unrealized gains (losses) are calculated using a specific identification method and are recorded, along with interest and dividend income, on the statements of activities and change in net assets. In 2012, Martha's Table liquidated its investment holdings and placed the proceeds in cash and cash equivalents.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Martha's Table capitalizes purchases over \$1,000 with an estimated useful life of greater than one year. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the related assets commencing in the month the asset is placed in service, as follows:

| | |
|----------------------------|--------------|
| Buildings and Improvements | 7 - 20 Years |
| Furniture and Equipment | 3 - 15 Years |
| Vans | 5 Years |
| Website | 5 Years |

Revenue Recognition

Martha's Table classifies net assets into two categories: unrestricted and temporarily restricted. Martha's Table records contributions as revenue when they are unconditionally pledged by the donor or when received in cash if not pledged. Donated investments are reflected as contributions and grants revenue and are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period.

Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the statements of activities and change in net assets as net assets released from restrictions. Martha's Table had \$114,000 of temporarily restricted net assets at December 31, 2012 for the Meals for Mind program. At December 31, 2011, Martha's Table had no temporarily restricted net assets.

Revenues from federal and other funding sources are recognized when the related expenses are incurred. Expenses charged to federal grants are subject to audit and adjustment.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services

The Food Program

Martha's Table's Food Program offers emergency meals, on site grocery distributions, school grocery distributions and meals for the children our education and youth program. McKenna's Wagon, Martha's Table's street feeding program, distributes food to the hungry and homeless seven days a week at three regularly scheduled sites. Martha's Table also provides groceries through monthly distributions off-site at two DC Public Schools, on-site the last Thursday of the month, and on-site on an emergency referral basis throughout the month. The third program serves meals to the children and youth at Martha's Table. These meals meet and exceed government nutritional standards.

Martha's Outfitters and Other Services

Martha's Outfitters is open to the community five days a week, Tuesday through Saturday, from 9 a.m. to 6 p.m. Martha's Outfitters offers a wide assortment of almost new, up-to-date clothing in addition to providing blankets, toiletries, and children's supplies to low-income families and individuals in the community. There were 44,473 (unaudited) and 38,213 (unaudited) visits to Martha's Outfitters during the years ended December 31, 2012 and 2011, respectively.

A second Martha's Outfitters location was opened in May 2013 to serve the residents of Anacostia and surrounding neighborhoods in Southeast, DC. The location is also open five days a week from Tuesday through Saturday and provides the same services as the 14th Street location.

Educational Programs for Pre-K and School-Aged Children

Martha's Table is committed to child development and nutrition. The Early Childhood Education Program (ages 3 months to 4 years) prepares preschool children for school and develops the parenting skills of their parents. The Elementary Program (ages 5 to 9) builds on the in-school academic curriculum to reinforce their learning and literacy in a safe and nurturing environment. The Bridge Program (ages 10 to 13) offers workshop-based programming on-site. Martha's Table also provides an engaging summer program which promotes an active, healthy lifestyle and ensures children are prepared academically when school begins in the fall.

The Older Youth Programs

Martha's Table has two programs for youth aged 14 to 24. The Martha's Table Collegiate Academy (MTCA) engages high school students (14 to 18) in a college preparedness program where learning comes through creating. The creative projects at the core of the program allow students to learn about, and express their opinions about themselves and their communities helping them deal with pressures that make graduating high school and succeeding in college challenging. Degree DC (ages 18 to 24 years) is a program for the alumni of the Martha's Table Collegiate Academy. Its goal is to increase the graduation rate of DC students enrolling in college and obtaining a degree within five years of graduating high school.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Contributions

Donated contributions include food, clothing, investments, and other items, such as toys and educational materials. Donations are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Area supermarkets, caterers, food vendors, shops, hotels, and volunteers provide over 98 percent of the food served by McKenna's Wagon at no cost or at significant discounts. Quantities of food donated are calculated based on an overall estimate of meals served. For the years ended December 31, 2012 and 2011, donated food was valued by management at \$896,860 and \$789,219, respectively, and donated clothing and other items were valued by management at \$1,830,449 and \$1,176,857, respectively, in the statements of activities and change in net assets. Martha's Table periodically examines its systems for calculating in-kind donation values and makes necessary adjustments.

Martha's Table's Food Program benefited from approximately 23,474 (unaudited) and 26,866 (unaudited) hours, respectively, of volunteer service. The value of hours volunteered at Martha's Table is not recorded in the financial statements, as it does not create or enhance nonfinancial assets or require specialized skills. The amount of such unrecorded labor was estimated by management at \$199,529 and \$228,362 for the years ended December 31, 2012 and 2011, respectively.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Certain costs have been allocated among the program and supporting service categories based on various methods, including time spent and space occupied.

Income Taxes

Martha's Table is exempt from federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for federal and state income taxes. Martha's Table has been classified by the Internal Revenue Service as a publicly supported organization under Section 170(b)(1)(A)(VI). Martha's Table did not have any unrelated business income for the years ended December 31, 2012 and 2011. Martha's Table recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expenses on the statements of activities and change in net assets and accounts payable and accrued expenses in the statements of financial position. There is no provision in these financial statements for penalties and interest on income taxes related to uncertain tax positions for the years ended December 31, 2012 and 2011. Tax years prior to 2009 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Concentration of Credit Risk

Martha's Table has cash and cash equivalent balances in excess of Federal Deposit Insurance Corporation (FDIC) limits totaling \$1,650,310 at December 31, 2012. The majority of the excess funds are held by the bank through a master repurchase agreement whereby the funds are invested in securities backed by the United States government and related agencies.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Martha's Table has evaluated events and transactions for potential recognition or disclosure through July 18, 2013, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 amounts to conform to the 2012 presentation.

NOTE 2 – INVESTMENTS

Investments are recorded at fair value and consist of the following:

| | December 31, | |
|-------------------------|--------------|---------------------|
| | 2012 | 2011 |
| Certificates of Deposit | \$ - | \$ 833,967 |
| Government Bonds | - | 229,991 |
| Mutual Fund – Equity | - | 2,001 |
| | <u>\$ -</u> | <u>\$ 1,065,959</u> |

Investment income consists of the following:

| | Year Ended December 31, | |
|---|-------------------------|------------------|
| | 2012 | 2011 |
| Interest and Dividend Income | \$ 7,740 | \$ - |
| Unrealized and Realized Gains on Investments, Net | <u>18,839</u> | <u>19,784</u> |
| | <u>\$ 26,579</u> | <u>\$ 19,784</u> |

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

| | December 31, | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Land | \$ 921,044 | \$ 921,044 |
| Buildings and Improvements | 5,295,901 | 5,281,579 |
| Furniture and Equipment | 480,031 | 433,235 |
| Vans | 131,657 | 131,657 |
| Website | 50,000 | 50,000 |
| | <u>6,878,633</u> | <u>6,817,515</u> |
| Less: Accumulated Depreciation and Amortization | <u>(4,251,360)</u> | <u>(3,998,711)</u> |
| | <u>\$ 2,627,273</u> | <u>\$ 2,818,804</u> |

NOTE 4 – BENEFIT PLAN

The employees of Martha's Table who work 1,000 or more hours within a 12-month period are eligible to participate in a 403(b) tax-deferred annuity plan, through which they can defer up to the legal limits allowed by the Internal Revenue Code. Martha's Table is required to contribute 3 percent for all eligible employees, plus Martha's Table makes a 1 percent contribution if the employee contributes 1 percent. Martha's Table made contributions of \$66,303 and \$61,924 to this plan for the years ended December 31, 2012 and 2011, respectively.

NOTE 5 – CONCENTRATION

For the years ended December 31, 2012 and 2011, approximately 33 percent and 29 percent of total Support and Revenues (excluding in-kind contributions) was received from federal and state funds.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 6 – FAIR VALUE MEASUREMENTS

Martha's Table has determined the fair value of certain assets through Topic 820, *Fair Value Measurement*, of the FASB Accounting Standards Codification (FASB ASC). There were no investments held at December 31, 2012. Fair values of assets measured on a recurring basis at December 31, 2011 are as follows:

| <u>December 31, 2011</u> | Fair Value Measurements at Reporting Date Using | | | |
|--------------------------|---|---|--|------|
| Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| <u>Assets</u> | | | | |
| Certificates of Deposit | \$ 833,967 | \$ - | \$ 833,967 | \$ - |
| Government Bonds | 229,991 | - | 229,991 | - |
| Mutual Fund – Equity | 2,001 | 2,001 | - | - |
| | \$ 1,065,959 | \$ 2,001 | \$ 1,063,958 | \$ - |

Topic 820 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 based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets as significant other observable inputs. Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. Martha's Table uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Martha's Table measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

NOTE 7 – CONTINGENCY

Martha's Table was subject to a legal proceeding arising in the course of providing its services. The suit was covered under Martha's Table's insurance policy, and was turned over to the insurance company for defense. The case was settled in June 2013.

NOTE 8 – SUBSEQUENT EVENT

In February 2013, Martha's Table signed a 39-month lease for a second Martha's Outfitters location. The lease calls for average monthly payments of \$3,590, plus direct payment of utilities and insurance and reimbursement of common area maintenance costs and real estate taxes.

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