



Martha's Table, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2015 and 2014

Page

Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's 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, 2015 and 2014, the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martha's Table as of December 31, 2015 and 2014, and the change 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 11, 2016

MARTHA'S TABLE, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2015	2014
Cash and Cash Equivalents	\$ 6,682,938	\$ 5,805,554
Pledges and Contributions Receivable, Net	4,121,988	2,075,843
Grants Receivable	137,097	133,807
Prepaid Expenses	66,558	57,612
Property and Equipment, Net	2,360,147	2,457,482
	<u>\$13,368,728</u>	<u>\$10,530,298</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 313,821	\$ 245,024
Deferred Revenue	461,406	166,835
Deferred Lease Incentive	34,676	-
Total Liabilities	809,903	411,859

NET ASSETS

Unrestricted:		
Board Designated – Reserve Fund	300,000	300,000
Board Designated – Capacity Building	2,462,258	2,153,799
Operating	3,861,297	4,987,242
Total Unrestricted	6,623,555	7,441,041
Temporarily Restricted	5,935,270	2,677,398
	<u>12,558,825</u>	<u>10,118,439</u>
	<u>\$13,368,728</u>	<u>\$10,530,298</u>

MARTHA'S TABLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and Grants						
Individuals	\$ 2,860,623	\$ 1,656,714	\$ 4,517,337	\$ 1,852,644	\$ 1,200,000	\$ 3,052,644
Corporations	595,726	919,010	1,514,736	345,010	267,300	612,310
Foundations	680,561	1,554,050	2,234,611	559,559	1,125,000	1,684,559
Civic and Religious Groups	112,989	565	113,554	121,618	-	121,618
Combined Federal Campaign	438,205	141	438,346	537,015	-	537,015
Federal and State Funds	1,292,532	-	1,292,532	1,573,704	-	1,573,704
	5,980,636	4,130,480	10,111,116	4,989,550	2,592,300	7,581,850
In-Kind Contributions						
Donated Services	175,100	-	175,100	170,000	-	170,000
Donated Food	832,150	-	832,150	977,267	-	977,267
Donated Clothing and Other Items	1,982,899	-	1,982,899	2,069,356	-	2,069,356
	2,990,149	-	2,990,149	3,216,623	-	3,216,623
Other Revenues						
Childcare Co-Pay	71,635	-	71,635	78,794	-	78,794
Investment Income (Loss)	(12,126)	-	(12,126)	27,026	-	27,026
Martha's Outfitters	495,725	-	495,725	517,339	-	517,339
Miscellaneous Income	4,186	-	4,186	4,628	-	4,628
Special Events, Net	79,209	297,727	376,936	218,837	81,090	299,927
Net Assets Released from Restrictions –						
Satisfaction of Restrictions	1,170,335	(1,170,335)	-	547,459	(547,459)	-
	1,808,964	(872,608)	936,356	1,394,083	(466,369)	927,714
Total Support and Revenues	10,779,749	3,257,872	14,037,621	9,600,256	2,125,931	11,726,187

MARTHA'S TABLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EXPENSES						
Program Services						
Food Program	\$ 2,985,787	\$ -	\$ 2,985,787	\$ 2,454,655	\$ -	\$ 2,454,655
Martha's Outfitters	2,582,865	-	2,582,865	2,730,526	-	2,730,526
Elementary to Career Program	962,525	-	962,525	740,489	-	740,489
Early Childhood Education Program	2,129,144	-	2,129,144	2,108,777	-	2,108,777
Success Center Program	177,760	-	177,760	230,002	-	230,002
Total Program Services	<u>8,838,081</u>	<u>-</u>	<u>8,838,081</u>	<u>8,264,449</u>	<u>-</u>	<u>8,264,449</u>
Supporting Services						
General Administration	1,514,386	-	1,514,386	1,642,830	-	1,642,830
Fundraising	1,244,768	-	1,244,768	581,721	-	581,721
Total Supporting Services	<u>2,759,154</u>	<u>-</u>	<u>2,759,154</u>	<u>2,224,551</u>	<u>-</u>	<u>2,224,551</u>
Total Expenses	<u>11,597,235</u>	<u>-</u>	<u>11,597,235</u>	<u>10,489,000</u>	<u>-</u>	<u>10,489,000</u>
CHANGE IN NET ASSETS	(817,486)	3,257,872	2,440,386	(888,744)	2,125,931	1,237,187
NET ASSETS, Beginning of Year	<u>7,441,041</u>	<u>2,677,398</u>	<u>10,118,439</u>	<u>8,329,785</u>	<u>551,467</u>	<u>8,881,252</u>
NET ASSETS, End of Year	<u>\$ 6,623,555</u>	<u>\$ 5,935,270</u>	<u>\$ 12,558,825</u>	<u>\$ 7,441,041</u>	<u>\$ 2,677,398</u>	<u>\$ 10,118,439</u>

MARTHA'S TABLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services				Total Expenses
	Food Program	Martha's Outfitters	Elementary to Career Program	Early Childhood Education Program	Success Center Program	Total Program Services	General Administration	Fundraising	Total Supporting Services	
PERSONNEL EXPENSES										
Salaries (Including Donated Services)	\$ 765,378	\$ 290,961	\$ 542,497	\$ 1,279,692	\$ 96,200	\$ 2,974,728	\$ 820,995	\$ 485,219	\$ 1,306,214	\$ 4,280,942
Payroll Taxes and Benefits	182,684	73,136	126,275	281,568	23,130	686,793	179,195	96,253	275,448	962,241
	948,062	364,097	668,772	1,561,260	119,330	3,661,521	1,000,190	581,472	1,581,662	5,243,183
OPERATING EXPENSES										
Bad Debt Expense	-	-	5,197	-	-	5,197	-	-	-	5,197
Children's Food	150,876	-	-	460	-	151,336	746	-	746	152,082
Depreciation and Amortization	60,728	37,086	74,902	93,828	16,039	282,583	31,783	6,415	38,198	320,781
Extermination	1,111	678	1,370	1,716	293	5,168	582	117	699	5,867
Food – Other	611,743	219	80	-	1,236	613,278	44	-	44	613,322
Gasoline	14,639	1,490	-	-	-	16,129	5,290	-	5,290	21,419
Insurance	8,888	6,216	11,184	15,270	2,231	43,789	4,388	892	5,280	49,069
Meetings	935	285	431	1,738	3,461	6,850	13,064	809	13,873	20,723
Miscellaneous	9,400	10,493	11,768	12,600	1,988	46,249	102,908	45,859	148,767	195,016
Printing and Postage	-	-	-	-	63	63	4,603	171,344	175,947	176,010
Consultants and Professional Fees	50,638	47,758	60,890	235,761	4,160	399,207	225,106	414,418	639,524	1,038,731
Repairs and Maintenance	63,580	25,989	44,412	55,632	9,511	199,124	22,595	3,804	26,399	225,523
Rent	-	51,578	-	-	-	51,578	-	-	-	51,578
Research	7,394	-	-	-	-	7,394	-	-	-	7,394
Supplies	168,742	25,302	16,563	61,120	6,871	278,598	71,052	8,781	79,833	358,431
Tax, Tags, and Licenses	4,627	665	-	200	-	5,492	1,215	-	1,215	6,707
Trash Removal	4,465	3,027	5,507	6,899	1,179	21,077	2,336	472	2,808	23,885
Travel	1,095	142	18,212	17,117	2,119	38,685	1,726	1,356	3,082	41,767
Utilities and IT Expense	46,714	24,941	43,237	65,543	9,279	189,714	26,758	9,029	35,787	225,501
	1,205,575	235,869	293,753	567,884	58,430	2,361,511	514,196	663,296	1,177,492	3,539,003
DONATION EXPENSES										
Donated Food	832,150	-	-	-	-	832,150	-	-	-	832,150
Donated Clothing and Other Items	-	1,982,899	-	-	-	1,982,899	-	-	-	1,982,899
	832,150	1,982,899	-	-	-	2,815,049	-	-	-	2,815,049
Total Expenses	\$ 2,985,787	\$ 2,582,865	\$ 962,525	\$ 2,129,144	\$ 177,760	\$ 8,838,081	\$ 1,514,386	\$ 1,244,768	\$ 2,759,154	\$11,597,235

MARTHA'S TABLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services					Supporting Services				Total Expenses
	Food Program	Martha's Outfitters	Elementary to Career Program	Early Childhood Education Program	Success Center Program	Total Program Services	General Administration	Fundraising	Total Supporting Services	
PERSONNEL EXPENSES										
Salaries (Including Donated Services)	\$ 421,106	\$ 310,919	\$ 338,334	\$ 1,248,101	\$ 134,536	\$ 2,452,996	\$ 863,152	\$ 313,859	\$ 1,177,011	\$ 3,630,007
Payroll Taxes and Benefits	104,300	72,361	81,880	285,376	32,396	576,313	238,761	60,635	299,396	875,709
	525,406	383,280	420,214	1,533,477	166,932	3,029,309	1,101,913	374,494	1,476,407	4,505,716
OPERATING EXPENSES										
Bad Debt Expense	-	-	-	540	-	540	-	-	-	540
Children's Food	113,386	-	1,057	3,746	705	118,894	-	-	-	118,894
Depreciation and Amortization	45,480	48,791	58,641	95,930	15,621	264,463	31,033	5,019	36,052	300,515
Extermination	712	763	918	1,502	245	4,140	1,093	79	1,172	5,312
Food - other	422,302	-	990	69	437	423,798	-	-	-	423,798
Gasoline	14,272	5,220	-	-	175	19,667	98	-	98	19,765
Insurance	8,432	9,047	10,873	17,786	2,896	49,034	13,262	930	14,192	63,226
Meetings	72	97	-	414	793	1,376	6,846	-	6,846	8,222
Miscellaneous	10,794	8,141	21,213	19,040	-	59,188	53,452	16,297	69,749	128,937
Printing and Postage	24,492	26,848	32,231	52,927	8,683	145,181	16,647	2,790	19,437	164,618
Consultants and Professional Fees	95,651	10,623	82,517	153,684	1,923	344,398	297,658	166,604	464,262	808,660
Repairs and Maintenance	40,169	41,888	32,868	70,726	8,631	194,282	39,627	3,230	42,857	237,139
Rent	-	58,366	-	-	-	58,366	-	-	-	58,366
Sales and Use Tax	-	10,242	-	-	-	10,242	-	-	-	10,242
Supplies	141,681	22,748	23,872	60,403	11,673	260,377	39,657	5,917	45,574	305,951
Tax, Tags and Licenses	165	8	-	-	-	173	421	-	421	594
Trash Removal	3,432	3,683	4,426	7,240	1,179	19,960	3,949	379	4,328	24,288
Travel	128	93	12,321	17,286	466	30,294	2,112	684	2,796	33,090
Utilities and IT Expense	30,814	31,332	38,348	74,007	9,643	184,144	35,062	5,298	40,360	224,504
	951,982	277,890	320,275	575,300	63,070	2,188,517	540,917	207,227	748,144	2,936,661
DONATION EXPENSES										
Donated Food	977,267	-	-	-	-	977,267	-	-	-	977,267
Donated Clothing and Other Items	-	2,069,356	-	-	-	2,069,356	-	-	-	2,069,356
	977,267	2,069,356	-	-	-	3,046,623	-	-	-	3,046,623
Total Expenses	\$ 2,454,655	\$ 2,730,526	\$ 740,489	\$ 2,108,777	\$ 230,002	\$ 8,264,449	\$ 1,642,830	\$ 581,721	\$ 2,224,551	\$10,489,000

MARTHA'S TABLE, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,440,386	\$ 1,237,187
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Bad Debt Expense	5,197	540
Depreciation and Amortization	320,781	300,515
Loss on Disposal of Property and Equipment	3,410	-
Donated Investments	(602,505)	(114,066)
Proceeds from Sales of Unrestricted Donated Stock	563,031	112,495
Realized Losses on Sales of Donated Stock	39,474	1,571
Receipts from Contributions for Long-Term Purposes	(735,331)	(250,000)
Change in:		
Pledges and Contributions Receivable	(2,051,342)	(1,670,278)
Grants Receivable	(3,290)	81,916
Prepaid Expenses	(8,946)	(30,122)
Accounts Payable and Accrued Expenses	68,797	19,529
Deferred Revenue	294,571	(30,856)
Deferred Lease Incentive	34,676	-
	<u>368,909</u>	<u>(341,569)</u>
CASH USED IN INVESTING ACTIVITIES		
Purchases of Property and Equipment	(226,856)	(219,796)
CASH PROVIDED BY FINANCING ACTIVITIES		
Receipts from Contributions for Long-Term Purposes	<u>735,331</u>	<u>250,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	877,384	(311,365)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>5,805,554</u>	<u>6,116,919</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 6,682,938</u>	<u>\$ 5,805,554</u>

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND 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 education and development, and make provisions for social services and economic opportunities.

Program Services

The Food Program

Martha's Table's Healthy Eating Program offers emergency meals, on-site grocery distributions, school grocery distributions, and on-site meals for the Early Childhood Education and youth programs, which meet or exceed government nutritional standards. McKenna's Wagon, Martha's Table's mobile food truck, distributes food seven days a week at three regularly scheduled sites. Martha's Table also provides groceries through monthly distributions at 31 sites including Public Elementary Schools, community centers and an on-site grocery program throughout the month. Martha's Table's pop-up no-cost grocery markets provide healthy produce and healthy pantry staples to families and neighbors.

Martha's Outfitters

Martha's Outfitters offers a wide assortment of low-cost, almost new, up-to-date clothing and household items in addition to providing no-cost sleeping bags, blankets, toiletries and children's supplies to low-income families and individuals in the community through our Outlet program. There are two Martha's Outfitters locations open to the community that provide these services. One that is open six days a week, Monday through Saturday, from 12 p.m. to 6 p.m. and serves the residents of the 14th and U Streets area, and the other is also open five days a week from Monday through Friday, from 11 a.m. to 5 p.m. and serves the residents of Anacostia and surrounding neighborhoods in Southeast, DC.

There were 48,309 (unaudited) and 51,953 (unaudited) visits to Martha's Outfitters during the years ended December 31, 2015 and 2014, respectively.

Early Childhood Education Program

Martha's Table nationally-accredited Early Childhood Education center prepares young children, ages 3 months to 3 years, for Pre-Kindergarten and beyond. In addition, Martha's Table works directly with families through the Success Center, to ensure that caregivers have the skills and tools needed for high levels of engagement at home.

Elementary to Career Program

The Elementary to Career program provides middle school and high school youth with academic support and arts and technology focused experiential learning opportunities that foster their creativity and prepare them for success in school and life. In addition, the program offers year-round, academically focused, out-of-school-time programming for elementary-aged school students.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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. Cash and cash equivalents include:

	December 31,	
	2015	2014
Designated – Capacity Building	\$ 2,462,258	\$ 2,153,799
Designated – Reserve	300,000	300,000
Restricted Contributions	2,115,636	406,780
Undesignated	1,805,044	2,944,975
	<u>\$ 6,682,938</u>	<u>\$ 5,805,554</u>

Pledges and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are reflected as 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 pledges and contributions receivable and are recorded at their net present value using a risk adjusted discount rate. Amortization of the discount on pledges and contributions receivable is recognized as contributions and grants revenue. Conditional promises to give are recognized when conditions on which they depend are substantially met.

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, 2015 and 2014. Bad debt expense was \$5,197 and \$540 for the years ended December 31, 2015 and 2014, respectively.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Based on management's evaluation of collectability of grants receivable, no allowance for uncollectible accounts was required at December 31, 2015 and 2014.

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

Net Assets

Martha's Table classifies net assets into two categories: unrestricted and temporarily restricted. Within unrestricted net assets, Martha's Table's board has designated net assets for a reserve fund that consists of amounts for non-recurring expenses that require board action before they can be expended, and designated net assets for expansion activities.

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.

Revenue Recognition

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 revenues 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.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

Special events revenue is presented net of revenue-sharing amounts paid to a partner organization and expenses of the special events as follows for the year ended:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Special Events Revenue, Gross	\$ 817,886	\$ 613,983
Less: Revenue Sharing Amounts Paid to a Partner Non-Profit Organization	(236,093)	(233,497)
Less: Special Events Expenses	<u>(204,857)</u>	<u>(80,559)</u>
Special Events Revenue, Net	<u>\$ 376,936</u>	<u>\$ 299,927</u>

In-Kind Contributions

In-kind contributions include food, clothing, investments and other items, such as toys and educational materials. In-kind contributions are recorded as in-kind contribution revenue and program or supporting expense at their estimated fair values at the date of donation.

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. In-kind contributions related to donated food are determined based on monthly estimates of meals served. In-kind contributions related to clothing and other items are determined based on periodic surveys of sale prices for comparable items at similar local thrift and second-hand stores.

In-kind contributions related to donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset, or the services require specialized skills, the service is provided by individuals who possess those skills, and the service would typically need to be purchased if not contributed. Donated executive services of \$175,100 and \$170,000 that meet these criteria were recorded as in-kind contributions in the statements of activities and change in net assets for years ended December 31, 2015 and 2014, respectively.

Martha's Table periodically reviews its systems and processes for calculating in-kind contribution values and makes necessary updates.

For the years ended December 31, 2015 and 2014, Martha's Table's Food Program benefited from volunteer hours totaling approximately 52,201 (unaudited) and 33,734 (unaudited) hours, respectively. 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 value of such unrecorded labor was estimated by management at \$443,709 (unaudited) and \$286,739 (unaudited) for the years ended December 31, 2015 and 2014, respectively.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014. 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, 2015 and 2014. Tax years prior to 2012 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Concentrations

Martha's Table maintains bank deposits with commercial financial institutions that at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2015 and 2014, deposits in excess of FDIC limits totaled \$25,871 and \$107,920, respectively. Martha's Table monitors the creditworthiness of the institutions and has not experienced any credit losses on its bank deposits, nor does it expect to experience any such losses.

In addition, at December 31, 2015 and 2014, Martha's Table held funds totaling \$5,758,998 and \$5,376,292, respectively, at a local financial institution through a master repurchase agreement, whereby the funds are invested in securities backed by the United States government and related agencies.

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.

Reclassifications

Certain 2014 amounts were reclassified to conform to the 2015 presentation.

Subsequent Events

Martha's Table has evaluated events and transactions for potential recognition or disclosure through July 11, 2016 the date the financial statements were available to be issued.

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 2 – PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable consist of the following:

	December 31,	
	2015	2014
Pledges and Contributions Receivable in Less than One Year	\$ 2,352,077	\$ 1,119,878
Pledges and Contributions Receivable in One to Five Years	1,857,083	955,965
Total Pledges and Contributions Receivable	4,209,160	2,075,843
Less: Discount to Net Present Value	(87,172)	-
Net Pledges and Contributions Receivable	\$ 4,121,988	\$ 2,075,843

At December 31, 2015, Martha's Table had conditional promises to give consisting of a \$9,350,000 grant as well as a gift of land in Washington D.C for the Commons Expansion project (Note 7). The gifts are conditional upon approval for the project by the DC Zoning Commission, which was given on April 11, 2016.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2015	2014
Land	\$ 921,044	\$ 921,044
Buildings and Improvements	5,335,657	5,335,657
Furniture and Equipment	716,815	734,988
Vans	346,573	238,160
Website	73,646	50,000
Capital Project in Progress – Commons Expansion	109,559	-
	7,503,294	7,279,849
Less: Accumulated Depreciation and Amortization	(5,143,147)	(4,822,367)
	\$ 2,360,147	\$ 2,457,482

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	December 31,	
	2015	2014
The Commons Capital Expansion	\$ 3,075,000	\$ 1,000,000
Joyful Food Markets	966,667	1,100,000
Special Events	284,754	81,090
Healthy Eating	154,659	-
Healthy Start, Healthy Eating and Healthy Connections	75,000	-
The Commons Programs Expansion	55,000	-
Healthy Start	40,000	-
Program Personnel – Performance Management	-	159,721
Early Childhood Education	-	100,000
Early Childhood Specialist/Movement Studio	-	53,990
Witness to Hunger	-	8,000
Time Restricted	1,284,190	174,597
	\$ 5,935,270	\$ 2,677,398

Net assets released from restrictions consist of expended restricted contributions for the donor-imposed purposes or passage of time on pledges from donors. The net assets released were as follows:

	Year Ended December 31,	
	2015	2014
Program Personnel – Performance Management	\$ 159,721	\$ 80,279
Joyful Food Markets	133,333	-
Healthy Eating	117,618	157,000
Healthy Start	110,875	65,000
Early Childhood Education	100,000	-
Special Events	94,064	11,780
Early Childhood Specialist/Movement Studio	53,990	18,010
Healthy Start, Healthy Eating and Healthy Connections	50,000	-
Witness to Hunger	8,000	2,000
Elementary to Career	2,500	-
Martha's Outfitters	50	-
Food Pantry	-	40,000
Van	-	43,000
Literacy Consultant	-	50,000
Time Restricted	340,194	80,390
	\$ 1,170,345	\$ 547,459

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 5 – LEASES

On February 22, 2013, Martha's Table entered into a 39-month non-cancellable retail space lease agreement for its second Martha's Outfitters location. The lease originally expired May 31, 2016, but a renewal option was exercised that extended the term to May 31, 2019 with rents escalating at a minimum of 3 percent per year over the renewal term. The lease calls for monthly payments of rent, plus direct payment of utilities and insurance and reimbursement of common area maintenance costs and real estate taxes. The terms of the lease agreement required a security deposit of \$3,684, which is included in prepaid expenses in the accompanying statements of financial position. Rent expense was \$51,578 and \$58,366, for the years ended December 31, 2015 and 2014, respectively.

Future minimum annual rents under the lease are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 49,977
2017	51,481
2018	53,026
2019	<u>22,365</u>
	<u>\$ 176,849</u>

On June 19, 2015, Martha's Table entered into a 60-month lease for new copiers. The lease calls for monthly payments of \$2,907. Upon signing this lease, Martha's Table received a \$38,529 lease incentive payment to be used to payoff the remaining payments on two previous copier leases. The deferred lease incentive will be amortized over the life of the lease.

Future minimum annual rents under the lease are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 34,882
2017	34,882
2018	34,882
2019	34,882
2020	<u>17,441</u>
	<u>\$ 156,969</u>

MARTHA'S TABLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 6 – 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 contributes 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 \$81,450 and \$90,067 to this plan for the years ended December 31, 2015 and 2014, respectively.

NOTE 7 – COMMONS EXPANSION

In 2015, Martha's Table created two new entities to help execute a series of transactions between Horning Brothers and Martha's Table related to building a new headquarters in Ward 8 located at The Commons at Stanton Square. Martha's Table Hillsdale, LLC, a single member LLC, was created to build and own the building. Martha's Table SO, Inc. was created as a 509(a)(3) supporting organization to collect funds raised for the Commons. Neither of these entities had activity in 2015 or account balances at December 31, 2015.

In 2015, Martha's Table and Horning Brothers signed a series of agreements that outline the relationship between the two parties and the process by which they will build and operate the new building. The Land Grant Agreement details the process by which land will transfer from a Horning Brothers' entity to Martha's Table Hillsdale LLC, and conditions required for that transfer. The Grant Agreement documents the process by which Horning Brothers' entity will donate funds to Martha's Table SO, Inc. to support the building of the new headquarters.

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