

**Martha's Table, Inc. and Affiliates**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2021**

# Martha's Table, Inc. and Affiliates

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Martha's Table, Inc. and Affiliates (collectively, "Martha's Table"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated 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; this includes 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.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Martha's Table, Inc. and Affiliates as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CohnReznick LLP*

Bethesda, Maryland  
November 19, 2021

**Martha's Table, Inc. and Affiliates**  
**Consolidated Statement of Financial Position**  
**June 30, 2021**

Assets

Cash and cash equivalents	\$ 27,152,617
Pledges and contributions receivable, net	785,365
Grants and accounts receivable	932,153
Investments	19,089,728
Note receivable	18,974,200
Prepaid expenses	131,515
Property and equipment, net	<u>26,589,689</u>
	<u>\$ 93,655,267</u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 1,925,784
Deferred revenue	202,817
Long-term debt	<u>27,465,000</u>
Total liabilities	<u>29,593,601</u>
Net assets	
Without donor restrictions	
Board designated - reserve fund	25,214,746
Operating	<u>37,661,953</u>
Total net assets without donor restrictions	62,876,699
With donor restrictions	<u>1,184,967</u>
Total net assets	<u>64,061,666</u>
	<u>\$ 93,655,267</u>

See Notes to Consolidated Financial Statements.

**Martha's Table, Inc. and Affiliates**

**Consolidated Statement of Activities and Change in Net Assets  
Year Ended June 30, 2021**

	Without donor restrictions	With donor restrictions	Total
Support and revenues			
Contributions and grants			
Individuals	\$ 7,287,471	\$ 366,443	\$ 7,653,914
Corporations	644,599	492,952	1,137,551
Foundations	1,060,306	402,000	1,462,306
Civic and religious groups	209,985	52,484	262,469
Combined federal campaign	635,582	-	635,582
Federal and state funds	6,485,990	-	6,485,990
	<u>16,323,933</u>	<u>1,313,879</u>	<u>17,637,812</u>
In-kind contributions			
Donated food	786,746	-	786,746
Donated clothing and other items	940,329	-	940,329
	<u>1,727,075</u>	<u>-</u>	<u>1,727,075</u>
Other revenues			
Childcare co-pay	13,982	-	13,982
Investment income, net	1,113,322	-	1,113,322
Martha's Outfitters	5,980	-	5,980
Miscellaneous income	86,649	-	86,649
Special events, net	4,963	1,300	6,263
Net assets released from restrictions - satisfaction of restrictions	2,324,581	(2,324,581)	-
	<u>3,549,477</u>	<u>(2,323,281)</u>	<u>1,226,196</u>
Total support and revenues	<u>21,600,485</u>	<u>(1,009,402)</u>	<u>20,591,083</u>
Expenses			
Program services			
Health and Wellness Initiatives	6,033,987	-	6,033,987
Parent and Family Initiatives	2,271,936	-	2,271,936
Education Initiatives	5,530,300	-	5,530,300
Neighborhood Impact Initiatives	949,631	-	949,631
Total program services	<u>14,785,854</u>	<u>-</u>	<u>14,785,854</u>
Supporting services			
General administration	2,930,942	-	2,930,942
Fundraising and communications	1,557,437	-	1,557,437
Total supporting services	<u>4,488,379</u>	<u>-</u>	<u>4,488,379</u>
Total expenses	<u>19,274,233</u>	<u>-</u>	<u>19,274,233</u>
Change in net assets	2,326,252	(1,009,402)	1,316,850
Net assets, beginning of period	<u>60,550,447</u>	<u>2,194,369</u>	<u>62,744,816</u>
Net assets, end of period	<u>\$ 62,876,699</u>	<u>\$ 1,184,967</u>	<u>\$ 64,061,666</u>

See Notes to Consolidated Financial Statements.

## Martha's Table, Inc. and Affiliates

### Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	Program services				Total program services	Supporting services			Total expenses
	Health and Wellness Initiatives	Parent and Family Initiatives	Education Initiatives	Neighborhood Impact Initiatives		General administration	Fundraising and communications	Total supporting services	
Personnel expenses									
Salaries (including donated services)	\$ 1,568,379	\$ 791,199	\$ 2,981,866	\$ 469,925	\$ 5,811,369	\$ 996,822	\$ 855,810	\$ 1,852,632	\$ 7,664,001
Payroll taxes and benefits	352,339	198,047	710,814	79,797	1,340,997	446,934	177,610	624,544	1,965,541
	<u>1,920,718</u>	<u>989,246</u>	<u>3,692,680</u>	<u>549,722</u>	<u>7,152,366</u>	<u>1,443,756</u>	<u>1,033,420</u>	<u>2,477,176</u>	<u>9,629,542</u>
Operating expenses									
Bad debt expense	-	-	-	-	-	4,371	-	4,371	4,371
Children's food	33,828	-	-	-	33,828	-	-	-	33,828
Depreciation and amortization	198,691	41,953	513,872	112,586	867,102	325,681	40,357	366,038	1,233,140
Extermination	1,003	225	2,624	605	4,457	1,079	217	1,296	5,753
Family assistance	-	-	192,874	-	192,874	-	-	-	192,874
Food - Other	2,131,494	19,512	172	44,275	2,195,453	-	-	-	2,195,453
Gasoline	4,497	492	-	-	4,989	-	-	-	4,989
Insurance	26,563	4,148	59,703	11,132	101,546	36,213	3,990	40,203	141,749
Interest	-	-	-	-	-	334,451	-	334,451	334,451
Meetings	659	128	1,344	117	2,248	1,898	710	2,608	4,856
Miscellaneous	30,823	42,024	44,029	55,699	172,575	163,321	138,415	301,736	474,311
Printing and postage	32,327	7,877	27,833	3,568	71,605	9,026	147,549	156,575	228,180
Consultants and professional fees	453,372	73,910	325,679	95,379	948,340	383,386	119,065	502,451	1,450,791
Repairs and maintenance	109,461	27,729	218,662	36,016	391,868	64,218	13,003	77,221	469,089
Rent	58,649	68,211	123,985	-	250,845	-	-	-	250,845
Research	2,380	-	773	-	3,153	774	-	774	3,927
Supplies	186,029	29,864	189,732	16,571	422,196	117,348	51,672	169,020	591,216
Tax, tags and licenses	1,574	238	3,196	-	5,008	633	127	760	5,768
Trash removal	13,259	7,046	31,045	3,525	54,875	6,276	1,263	7,539	62,414
Travel	584	315	4,680	24	5,603	405	405	810	6,413
Utilities	41,330	18,689	97,417	20,412	177,848	38,106	7,244	45,350	223,198
	<u>3,326,523</u>	<u>342,361</u>	<u>1,837,620</u>	<u>399,909</u>	<u>5,906,413</u>	<u>1,487,186</u>	<u>524,017</u>	<u>2,011,203</u>	<u>7,917,616</u>
Donation expenses									
Donated food	786,746	-	-	-	786,746	-	-	-	786,746
Donated clothing and other items	-	940,329	-	-	940,329	-	-	-	940,329
	<u>786,746</u>	<u>940,329</u>	<u>-</u>	<u>-</u>	<u>1,727,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,727,075</u>
Total expenses	<u>\$ 6,033,987</u>	<u>\$ 2,271,936</u>	<u>\$ 5,530,300</u>	<u>\$ 949,631</u>	<u>\$ 14,785,854</u>	<u>\$ 2,930,942</u>	<u>\$ 1,557,437</u>	<u>\$ 4,488,379</u>	<u>\$ 19,274,233</u>

See Notes to Consolidated Financial Statements.

**Martha's Table, Inc. and Affiliates**

**Consolidated Statement of Cash Flows  
Year Ended June 30, 2021**

Cash flows from operating activities	
Change in net assets	\$ 1,316,850
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt expense	4,371
Depreciation and amortization	1,233,140
Realized and unrealized gains on investments	(542,430)
Change in	
Pledges and contributions receivable	981,658
Grants and accounts receivable	650,327
Prepaid expenses	26,651
Accounts payable and accrued expenses	209,403
Deferred revenue	1,931
Deferred lease incentive	<u>(86,562)</u>
Net cash provided by operating activities	<u>3,795,339</u>
Cash flows provided by investing activities	
Purchases of property and equipment	(296,662)
Proceeds from sales of investments	392,407
Purchases of investments	<u>(2,718,135)</u>
Net cash used in investing activities	<u>(2,622,390)</u>
Increase in cash and cash equivalents	1,172,949
Cash and cash equivalents, beginning of period	<u>25,979,668</u>
Cash and cash equivalents, end of period	<u><u>\$ 27,152,617</u></u>
Supplemental cash flow information	
Cash paid for interest	<u><u>\$ 334,451</u></u>

See Notes to Consolidated Financial Statements.



## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

#### 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 support strong children, strong families, and strong communities by increasing access to quality education programs, healthy food, and family supports.

Martha's Table Hillsdale, LLC ("Hillsdale") is a single member LLC, created in 2015, and is the builder and owner of The Commons at Stanton Square.

Martha's Table SO, Inc. ("MT SO") was created in 2015 to support Martha's Table, Inc. in building a new facility and providing essential programs in the communities of Wards 7 and 8 in Southeast Washington, DC.

##### Principles of consolidation

The consolidated financial statements include the accounts of Martha's Table, MT SO and Hillsdale (collectively, "Martha's Table"). All significant intercompany accounts and transactions between the organizations have been eliminated.

##### Program services

###### Health and Wellness Initiatives

Martha's Table's Health & Wellness Initiatives increase access to healthy food and support children and their families in making healthy choices. Through these initiatives, Martha's Table offers nutritious prepared meals and healthy groceries at no cost. Meals prepared on-site for its education programs meet or exceed government nutritional standards. McKenna's Wagon, Martha's Table's mobile food truck, serves warm meals seven days a week to individuals experiencing hunger or housing instability. Martha's Table also provides healthy groceries at no cost through regular markets at more than 50 sites in Washington, DC, including elementary schools in Wards 7 and 8, community centers, and at its own facilities.

###### Parent and Family Initiatives

Martha's Table's Parent & Family Initiatives help ensure caregivers are deeply supported as they serve as their children's first and most important teachers. These initiatives support parents outside of the classroom through regular family visits throughout the first two years of their child's life. Martha's Table also offers a family resource center, Parent Cafes, and training programs that help parents achieve their personal goals. Additionally, Martha's Outfitters, Martha's Table's no-cost community boutique, offers free access to baby items, including bottles and diapers, as well as children's and professional clothing for families.

###### Education Initiatives

Martha's Table's Education Initiatives support children and young adults with high-quality learning experiences that help them thrive from cradle to career. Martha's Table offers nationally accredited, comprehensive early childhood education programs for infants and toddlers ages six weeks to four years. Its curriculum promotes whole child development - focusing on physical, cognitive, and socio-emotional development - to ensure children are on track and ready to learn in pre-kindergarten and beyond. To support older youth, Martha's Table partners with Urban Alliance on a workforce readiness training program for high school students. Students participate in weekly job training workshops starting their freshman year. By senior year, they are placed in nine-month, paid, professional internships.

## **Martha's Table, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2021**

#### **Neighborhood Impact Initiatives**

Throughout all its work, Martha's Table is guided by its belief that neighborhood matters. Neighborhoods influence access to resources that are critical for life success. With this belief, Martha's Table invests deeply in the neighborhoods surrounding its headquarters in Southeast, DC, and its Community Development team works in partnership with local residents to identify and prioritize opportunities to increase access to essential resources in their community.

#### **Basis of accounting**

The accompanying consolidated 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 and managing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and change in net assets. Accordingly, expenses have been allocated among the benefitting program and supporting services based on specific identification or reasonable allocation methodologies.

Expenses considered facilities expenses including personnel, depreciation, and repairs and maintenance are allocated based on square footage. The office of the President/CEO is allocated based on estimated time and level of effort. Information Technology ("IT") expenses are allocated based on the number of staff in each department. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of Martha's Table.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash in operating and money market accounts, cash on hand, and highly liquid investments with original maturities of 90 days or less. Martha's Table receives contributions of marketable securities and it is their policy to convert such securities to cash as soon as practical. Consequently, all such securities are included in cash and cash equivalents.

#### **Investments**

Investments consist of money market, fixed income and equity funds held with investment institutions and are reported at their fair value based on quoted market prices. Realized and unrealized gains (losses) are calculated using a specific-identification method and are recorded, along with interest and dividend income, on the consolidated statement of activities and change in net assets.

All investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

#### **Pledges and contributions receivable**

Unconditional promises to give that are expected to be collected within one year are reported as pledges and contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reported as pledges and contributions receivable at their net present value using a risk adjusted discount rate of 3.25%. Amortization of the discount on pledges and contributions receivable is recognized as contributions and grants revenue. Management evaluates the need for allowances based on a review of the estimated

## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

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 June 30, 2021. The bad debt expense totaled \$4,371 for the year ended June 30, 2021.

#### 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 June 30, 2021.

#### Note receivable

Notes receivable are recorded at the net realizable value based on assessments made by management. An allowance is established for any note that management deems to be uncollectible based on their assessment. Management determined that the amounts reported as a note receivable were fully realizable, therefore, no such allowance for doubtful accounts was necessary as of June 30, 2021.

#### 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 \$5,000 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 - 40 years
Furniture and equipment	3 - 15 years
Vans	5 years
Website	5 years

Costs related to construction in progress are not depreciated until the assets are completed and placed in service.

#### Net assets

Martha's Table classifies net assets into two categories: net assets without donor restrictions and net assets with donor restrictions. Within net assets without donor restrictions, Martha's Table's board has designated net assets of \$25,214,276 for a reserve fund that consists of amounts for nonrecurring expenses that require board action before they can be expended.

Net assets with donor restrictions consist of contributions with donor-imposed time and/or program-specific restrictions. These restrictions require that resources be used for specific purposes and/or in a certain period. Such net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or the funds are used for their donor-imposed purposes and are reported in the consolidated statement of activities and change in net assets as net assets released from restrictions.

## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

Net assets with donor restrictions also consist of contributions with donor-imposed restrictions to hold the donated assets in perpetuity. Martha's Table has not received such contributions and, therefore, does not have any such net assets.

#### Revenue recognition

Martha's Table records contributions as contributions and grants revenue when received in cash or when unconditionally pledged by the donor. 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 use unless specifically restricted by the donor. Revenues with donor restrictions are contributions with donor-imposed time and/or program-specific restrictions. These restrictions require that resources be used for specific purposes and/or in a certain period.

Grants and contracts are classified as either conditional or unconditional. Unconditional grants and contributions are recognized as revenue when the commitment to contribute is received and is reported as without donor restrictions revenue and support unless specifically restricted by the donor or by law. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions revenue and support. Revenue is recognized on a conditional contribution once a barrier or hurdle to be entitled to resources is overcome and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if Martha's Table fails to overcome the barrier. Any funding received prior to overcoming the barrier is recognized as refundable advance. Martha's Table has executed conditional grants and contracts totaling approximately \$2,944,000 that have not been recognized at June 30, 2021.

A portion of the Martha's Table's revenue is derived from cost-reimbursable federal and nonfederal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Martha's Table has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advance in the consolidated statement of financial position. Expenses charged to federal grants are subject to audit and adjustment.

Martha's Table has no refundable advances at June 30, 2021.

Special events revenue is recognized as the event occurs, and is presented net of special event expenses. Special events revenue, net for the year ended June 30, 2021 is as follows:

Special events revenue, gross	\$ 24,950
Less: Special events expenses	<u>(18,687)</u>
Special events revenue, net	<u><u>\$ 6,263</u></u>

#### In-kind contributions

In-kind contributions include food, clothing, 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.

## **Martha's Table, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2021**

Area supermarkets, caterers, food vendors, shops, hotels and volunteers provide over 98% 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.

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

For the year ended June 30, 2021, Martha's Table's Health and Wellness and Parent and Family Initiatives programs benefited from volunteer hours totaling approximately 28,892 (unaudited). The value of hours volunteered at Martha's Table is not recorded in the consolidated 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 \$433,380 (unaudited) for the year ended June 30, 2021.

#### **Income taxes**

Martha's Table, Inc. and MT SO are exempt from federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Hillsdale is treated as a disregarded entity for income tax purposes and consolidated into Martha's Table, Inc.'s tax filings. Accordingly, the accompanying consolidated 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 believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Martha's Table recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expenses on the consolidated statement of activities and change in net assets and accounts payable and accrued expenses in the consolidated statement of financial position. There is no provision in these consolidated financial statements for penalties and interest on income taxes related to uncertain tax positions for the year ended June 30, 2021. Tax years prior to 2018 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 June 30, 2021, deposits in excess of FDIC limits totaled \$580,000. 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 June 30, 2021, Martha's Table held funds totaling approximately \$25,652,000 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 consolidated 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.

## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

#### **Fair value measurements**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to assumptions (unobservable inputs). Martha's Table groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

*Level 1* - Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* - Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of June 30, 2021, only Martha's Table's investments, as described in Note 3, were measured at fair value on a recurring basis.

#### **Impairment of long-lived assets**

Martha's Table reviews its long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying value of an asset, an impairment loss is recognized for the difference. There were no indicators of asset impairment during the year ended June 30, 2021.

#### **Subsequent events**

Martha's Table has evaluated events and transactions for potential recognition or disclosure through November 19, 2021, the date the consolidated financial statements were available to be issued.

#### **Note 2 - Liquidity and availability of resources**

Martha's Table regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of Martha's Table'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. In addition, Martha's Table invests cash in excess of daily requirements in short term investments.

**Martha's Table, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2021**

As of June 30, 2021, the following table shows the total financial assets held by Martha's Table and the amount of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 27,152,617
Pledges and contributions receivable, net	785,365
Grants and accounts receivable	932,153
Investments	19,089,728
Notes receivable	<u>18,974,200</u>
	66,934,063
Less those unavailable for general expenditure within one year	
Pledges receivable due in excess of one year	(418,334)
Board designated reserve fund	(25,214,746)
New Market Tax Credit reserve accounts	(290,353)
Note receivable due in excess of one year	<u>(18,974,200)</u>
	<u><u>\$ 22,036,430</u></u>

**Note 3 - Investments**

The following table summarizes Martha's Table's investments, which are the only assets held by Martha's Table measured at fair value on a recurring basis as of June 30, 2021:

	Fair value measurements at reporting date using:			
	Fair value	Quoted prices in active markets for identical (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
Mutual Fund- Money market	\$ 4,242,782	\$ 4,242,782	\$ -	\$ -
Mutual Fund- Fixed income - intermediate term bond	7,511,160	7,511,160	-	-
Mutual Fund- Fixed income - short term bond	4,226,888	4,226,888	-	-
Mutual Fund- SP 500 Index equity	<u>3,108,898</u>	<u>3,108,898</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 19,089,728</u></u>	<u><u>\$ 19,089,728</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Martha's Table used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Money market mutual funds, fixed income mutual funds, and equity mutual funds* - Valued using quoted prices in active markets.

Martha's Table did not hold Level 2 or Level 3 financial instruments and had no transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the year ended June 30, 2021.

## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

Investment income consists of the following for the year ended June 30, 2021:

Interest and dividends	\$ 318,018
Realized and unrealized gains on investments	<u>542,430</u>
Total portfolio investment income	860,448
Interest income from cash and cash equivalents	63,132
Interest income from note receivable	<u>189,742</u>
	<u><u>\$ 1,113,322</u></u>

#### Note 4 - Pledges and contributions receivable

Pledges and contributions receivable consist of the following as of June 30, 2021:

Pledges and contributions receivable in less than one year	\$ 386,296
Pledges and contributions receivable in one to five years	<u>418,334</u>
Total pledges and contributions receivable	804,630
Less: Discount to net present value	<u>(19,265)</u>
Net pledges and contributions receivable	<u><u>\$ 785,365</u></u>

#### Note 5 - Note receivable

##### Note receivable - New Markets Tax Credits

In May 2017, Martha's Table SO entered into a note receivable of \$18,974,200 from an outside investment firm that was issued as part of the New Markets Tax Credit financing for the development of the new Martha's Table Headquarters and Early Learning Center. The note accrues interest at 1% per year. Quarterly payments of interest-only are due through July 20, 2024. Quarterly payments of principal and interest are due from October 20, 2024 through October 20, 2044. New Markets Tax Credits note receivable at June 30, 2021 totaled \$18,974,200. The note receivable is considered to be fully collectible by management as of June 30, 2021. During the year ended June 30, 2021, interest income of \$189,742 was recognized and \$47,436 remains receivable as of June 30, 2021 and was recorded in grants and accounts receivable on the consolidated statement of financial position.



**Martha's Table, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2021**

**Note 6 - Property and equipment**

Property and equipment consist of the following at June 30, 2021:

Land		\$	1,587,208
Buildings and improvements			24,290,958
Furniture and equipment			1,598,561
Leasehold improvements			531,868
Vans			438,722
Construction in progress			<u>1,917,494</u>
			30,364,811
Less: Accumulated depreciation and amortization			<u>(3,775,122)</u>
			<u><u>\$ 26,589,689</u></u>

**Note 7 - Debt**

**Notes payable - Community Development Entities**

In May 2018, Hillsdale entered into a series of notes payable to help finance construction of the new Martha's Table headquarters located at 2735 Elvans Road SE, through the New Markets Tax Credit ("NMTC") Program. The notes were funded by various Community Development Entities ("CDEs") which received funding from the investment fund which MT SO provided funds to. Martha's Table Hillsdale, LLC received loans of \$3,975,900 and \$1,904,100 from Impact CDE 58 LLC, \$8,371,800 and \$3,388,200 from City First Capital 49, LLC, \$3,313,250 and \$1,686,750 from MS New Markets XIII, LLC, and \$4,825,000 from New Markets Investment 105, LLC. Each loan from the CDEs requires quarterly payments of interest-only at 1.009% per annum through June 30, 2024. Starting on October 5, 2024, quarterly payments of principal and interest are due, with the entire unpaid principal due on October 5, 2052. Notes payable to the CDEs at June 30, 2021 totaled \$27,465,000.

Interest and fees related to long-term debt totaled \$334,451 for the year ended June 30, 2021.

Future maturities on debt are as follows:

<u>Year ending June 30,</u>		
2022	\$	-
2023		-
2024		-
2025		630,700
2026		840,932
Thereafter		<u>25,993,368</u>
		<u><u>\$ 27,465,000</u></u>

**Martha's Table, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2021**

**Note 8 - Net assets with donor restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2021:

COVID Safety	\$	17,528
Health and Wellness Programs		159,798
Education Initiatives		256,306
Time restricted		751,335
		751,335
	\$	1,184,967

**Note 9 - Leases**

On February 22, 2013, Martha's Table entered into a 39-month noncancellable retail space lease agreement for its second Martha's Outfitters location. The lease originally expired May 31, 2016, but two renewal options were exercised that extended the term to May 31, 2019 and May 31, 2021, and a third renewal option was exercised that extended the term to May 31, 2023. The third extended lease term 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 consolidated statements of financial position. Rent expense was \$68,211 for the year ended June 30, 2021.

On May 19, 2017, Martha's Table entered into an agreement to lease space on Columbia Road, N.W. Washington, DC to house its programs ("Maycroft"). The commencement date on the lease was March 2019, with a lease term of 120 months from the date of commencement. Base rent began at \$14,872 per month and increases by 2% each year. Rent expense was \$182,634 for the year ended June 30, 2021.

Future minimum annual rents under these leases are as follows:

Year ending June 30,	Martha's Outfitter	Maycroft	Total
2022	\$ 58,799	\$ 186,905	\$ 245,704
2023	55,377	190,644	246,021
2024	-	194,456	194,456
2025	-	198,346	198,346
2026	-	202,313	202,313
Thereafter	-	559,026	559,026
	\$ 114,176	\$ 1,531,690	\$ 1,645,866

**Note 10 - 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% for all eligible employees, plus Martha's Table makes a 1% contribution if the employee contributes 1%. Martha's Table made contributions of \$222,944 to this plan for the year ended June 30, 2021.

## Martha's Table, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

#### Note 11 - Related party transactions

On May 19, 2017, Martha's Table signed a lease agreement with Hillsdale to lease the building and improvements. The lease commenced once the building was substantially completed in 2018, and expires on December 31, 2052. Base rent is \$150,000 for 2018, \$300,000 for 2019 - 2023 and \$500,000 for 2024 - 2052, payable in quarterly installments throughout the lease term. The rental income and rent expense are eliminated on the consolidated financial statements.

Future minimum annual rents under the lease are as follows:

<u>Year ending June 30,</u>	
2022	\$ 300,000
2023	300,000
2024	400,000
2025	500,000
2026	500,000
Thereafter	<u>12,750,000</u>
	<u>\$ 14,750,000</u>

#### Note 12 - Paycheck Protection Program loan

On August 6, 2020, Martha's Table received loan proceeds totaling \$1,331,500 from its bank under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") that was part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") stimulus relief. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the CARES Act, the promissory note could be forgiven by the SBA in whole or in part. Martha's Table initially recorded the loan as a refundable advance liability and subsequently recognized revenue in accordance with guidance for conditional contributions, where the measurable performance or other barrier and right of return of the PPP loan no longer existed. Therefore, the proceeds have been recorded as Federal and State Funds revenue in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021.

#### Note 13 - Risks and uncertainties

##### COVID-19

The spread of a novel strain of the coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects these disruptions may have on the operations and financial position of Martha's Table will depend on future developments, which cannot be determined at this time.

## **Supplementary Information**

## Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of Martha's Table, Inc. and Affiliates as of and for the year ended June 30, 2021, and have issued our report thereon dated November 19, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating statement of financial position for non-POB Fund and POB Fund, consolidating schedule of activities and change in net assets for non-POB Fund and POB Fund and consolidating statement of cash flows for non-POB Fund and POB Fund as of and for the year ended June 30, 2021, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CohnReznick LLP*

Bethesda, Maryland  
November 19, 2021

**Martha's Table, Inc. and Affiliates**

**Consolidating Statement of Financial Position for Non-POB Fund and POB Fund  
June 30, 2021**

	<u>Assets</u>			
	<u>Non-POB Fund</u>	<u>POB Fund</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 26,856,766	\$ 295,851	\$ -	\$ 27,152,617
Pledges and contributions receivable, net	785,365	-	-	785,365
Grants and accounts receivable	932,153	750,000	(750,000)	932,153
Investments	19,089,728	-	-	19,089,728
Note receivable	18,974,200	-	-	18,974,200
Prepaid expenses	131,515	-	-	131,515
Property and equipment, net	<u>2,755,247</u>	<u>23,834,442</u>	<u>-</u>	<u>26,589,689</u>
	<u>\$ 69,524,974</u>	<u>\$ 24,880,293</u>	<u>\$ (750,000)</u>	<u>\$ 93,655,267</u>
	<u>Liabilities and Net Assets (Deficit)</u>			
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,135,911	\$ 1,539,873	\$ (750,000)	\$ 1,925,784
Deferred revenue	202,817	-	-	202,817
Long-term debt	<u>-</u>	<u>27,465,000</u>	<u>-</u>	<u>27,465,000</u>
<b>Total liabilities</b>	<u>1,338,728</u>	<u>29,004,873</u>	<u>(750,000)</u>	<u>29,593,601</u>
<b>Net assets (deficit)</b>				
Without donor restrictions				
Board designated - reserve fund	25,214,746	-	-	25,214,746
Operating	<u>41,786,533</u>	<u>(4,124,580)</u>	<u>-</u>	<u>37,661,953</u>
<b>Total net assets (deficit) without donor restrictions</b>	<u>67,001,279</u>	<u>(4,124,580)</u>	<u>-</u>	<u>62,876,699</u>
With donor restrictions	<u>1,184,967</u>	<u>-</u>	<u>-</u>	<u>1,184,967</u>
<b>Total net assets (deficit)</b>	<u>68,186,246</u>	<u>(4,124,580)</u>	<u>-</u>	<u>64,061,666</u>
	<u>\$ 69,524,974</u>	<u>\$ 24,880,293</u>	<u>\$ (750,000)</u>	<u>\$ 93,655,267</u>

See Independent Auditor's Report on Supplementary Information.

**Martha's Table, Inc. and Affiliates**

**Consolidating Schedule of Activities for Non-POB Fund and POB Fund  
Year Ended June 30, 2021**

	<u>Non-POB Fund</u>	<u>POB Fund</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenues				
Contributions and grants				
Individuals	\$ 7,653,914	\$ -	\$ -	\$ 7,653,914
Corporations	1,137,551	-	-	1,137,551
Foundations	1,462,306	-	-	1,462,306
Civic and religious groups	262,469	-	-	262,469
Combined federal campaign	635,582	-	-	635,582
Federal and state funds	2,149,840	4,336,150	-	6,485,990
	<u>13,301,662</u>	<u>4,336,150</u>	<u>-</u>	<u>17,637,812</u>
In-kind contributions				
Donated food	786,746	-	-	786,746
Donated clothing and other items	940,329	-	-	940,329
	<u>1,727,075</u>	<u>-</u>	<u>-</u>	<u>1,727,075</u>
Other revenues				
Childcare co-pay	13,982	-	-	13,982
Investment income, net	1,113,322	-	-	1,113,322
Martha's Outfitters	5,980	-	-	5,980
Miscellaneous income	86,649	7,218,017	(7,218,017)	86,649
Special events, net	6,263	-	-	6,263
Net assets released from restrictions satisfaction of restrictions	-	-	-	-
	<u>1,226,196</u>	<u>7,218,017</u>	<u>(7,218,017)</u>	<u>1,226,196</u>
Total support and revenues	<u>16,254,933</u>	<u>11,554,167</u>	<u>(7,218,017)</u>	<u>20,591,083</u>

**Martha's Table, Inc. and Affiliates**

**Consolidating Schedule of Activities for Non-POB Fund and POB Fund  
Year Ended June 30, 2021**

	<u>Non-POB Fund</u>	<u>POB Fund</u>	<u>Eliminations</u>	<u>Total</u>
Personnel expenses				
Salaries (including donated services)	2,227,899	5,436,102	-	7,664,001
Payroll taxes and benefits	478,856	1,486,685	-	1,965,541
	<u>2,706,755</u>	<u>6,922,787</u>	<u>-</u>	<u>9,629,542</u>
Operating expenses				
Bad debt expense	4,371	-	-	4,371
Children's food	10,198	23,630	-	33,828
Depreciation and amortization	169,932	1,063,208	-	1,233,140
Extermination	38	5,715	-	5,753
Family assistance	-	192,874	-	192,874
Food - other	1,092,941	1,102,512	-	2,195,453
Gasoline	2,777	2,212	-	4,989
Insurance	20,232	121,517	-	141,749
Interest	-	334,451	-	334,451
Meetings	1,245	3,611	-	4,856
Miscellaneous	177,550	296,761	-	474,311
Printing and postage	162,602	65,578	-	228,180
Consultants and professional fees	274,334	1,176,457	-	1,450,791
Repairs and maintenance	119,465	349,624	-	469,089
Rent	250,845	300,000	(300,000)	250,845
Research	516	3,411	-	3,927
Supplies	175,080	416,136	-	591,216
Tax, tags and licenses	1,076	4,692	-	5,768
Trash removal	29,127	33,287	-	62,414
Travel	1,341	5,072	-	6,413
Utilities	29,358	193,840	-	223,198
Contribution expense	6,918,017	-	(6,918,017)	-
	<u>9,441,045</u>	<u>5,694,588</u>	<u>(7,218,017)</u>	<u>7,917,616</u>
Donation expenses				
Donated food	786,746	-	-	786,746
Donated clothing and other items	940,329	-	-	940,329
	<u>1,727,075</u>	<u>-</u>	<u>-</u>	<u>1,727,075</u>
Total expenses	<u>13,874,875</u>	<u>12,617,375</u>	<u>(7,218,017)</u>	<u>19,274,233</u>
Change in net assets	2,380,058	(1,063,208)	-	1,316,850
Net assets (deficit), beginning of period	65,806,188	(3,061,372)	-	62,744,816
Net assets (deficit), end of period	<u>\$ 68,186,246</u>	<u>\$ (4,124,580)</u>	<u>\$ -</u>	<u>\$ 64,061,666</u>

See Independent Auditor's Report on Supplementary Information.



**Martha's Table, Inc. and Affiliates**

**Consolidated Statement of Cash Flows for Non-POB Fund and POB Fund  
Year Ended June 30, 2021**

	<u>Non-POB Fund</u>	<u>POB Fund</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities				
Change in net assets	\$ 2,380,058	\$ (1,063,208)	\$ -	\$ 1,316,850
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Bad debt expense	4,371	-	-	4,371
Depreciation and amortization	169,932	1,063,208	-	1,233,140
Realized and unrealized gain on investments	(542,430)	-	-	(542,430)
Change in				
Pledges and contributions receivable	981,658	-	-	981,658
Grants and accounts receivable	200,327	(300,000)	750,000	650,327
Prepaid expenses	26,651	-	-	26,651
Accounts payable and accrued expenses	745,918	213,485	(750,000)	209,403
Deferred revenue	1,931	-	-	1,931
Deferred lease incentive	(86,562)	-	-	(86,562)
	<u>3,881,854</u>	<u>(86,515)</u>	<u>-</u>	<u>3,795,339</u>
Net cash provided by (used in) operating activities				
Cash flows used in investing activities				
Purchases of property and equipment	(296,662)	-	-	(296,662)
Proceeds from sales of investments	392,407	-	-	392,407
Purchases of investments	(2,718,135)	-	-	(2,718,135)
	<u>(2,622,390)</u>	<u>-</u>	<u>-</u>	<u>(2,622,390)</u>
Net cash used in investing activities				
Increase (decrease) in cash and cash equivalents	1,259,464	(86,515)	-	1,172,949
Cash and cash equivalents, beginning of period	<u>25,597,302</u>	<u>382,366</u>	<u>-</u>	<u>25,979,668</u>
Cash and cash equivalents, end of period	<u>\$ 26,856,766</u>	<u>\$ 295,851</u>	<u>\$ -</u>	<u>\$ 27,152,617</u>
Supplemental cash flow information				
Cash paid for interest	<u>\$ -</u>	<u>\$ 334,451</u>	<u>\$ -</u>	<u>\$ 334,451</u>

See Independent Auditor's Report on Supplementary Information.



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