

Miriam's Kitchen, Inc.

Financial Statements
For the period ended
September 30, 2013

Miriam's Kitchen, Inc.

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To the Board of Directors of
Miriam's Kitchen, Inc.
Washington, DC

Independent Auditor's Report

We have audited the accompanying financial statements of Miriam's Kitchen (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and cash flows for the nine months 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 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 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 Miriam's Kitchen as of the period ended September 30, 2013, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.



April 2, 2014

Miriam's Kitchen, Inc.
Statement of Financial Position

September 30,
2013

Assets	
Current assets	
Cash and cash equivalents	\$ 416,960
Accounts receivable	2,011
Pledges receivable (less allowance of \$8,875)	191,343
Prepaid expenses	31,385
Total current assets	641,699
Investments	
Vanguard index and money market funds	1,503,700
Total investments	1,503,700
Property and equipment	
Dining room renovations	90,781
Kitchen equipment	23,075
Office equipment	37,202
Van	22,454
Less: accumulated depreciation	(95,537)
Total property and equipment	77,975
Other assets	
Pledges receivable - long term	39,369
Total other assets	39,369
Total assets	\$ 2,262,743
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 161,144
Total current liabilities	161,144
Net assets	
Unrestricted	1,870,887
Temporarily restricted	230,712
Total net assets	2,101,599
Total liabilities and net assets	\$ 2,262,743

See accompanying Independent Auditor's Report and notes to the financial statements.

Miriam's Kitchen, Inc.
Statement of Activities

For the nine months ended September 30,
2013

Changes in unrestricted net assets	
Support and revenue	
Cash contributions	\$ 1,171,267
In kind contributions	148,413
Investment income	12,201
Realized and unrealized gains (losses) on investments	57,170
Assets released from restriction	152,015
Total unrestricted support and revenue	1,541,066
Expenses	
Program services	
Meals	664,832
Miriam's studio	224,175
Case management	499,897
Permanent supportive housing	97,772
Advocacy	242,207
Development	359,242
Miriam's café	144,465
Administration	55,788
Total expenses	2,288,378
Decrease in unrestricted net assets	(747,312)
Changes in temporarily restricted net assets	
Contributions	
	184,269
Assets released from restriction	(152,015)
Increase in temporarily restricted net assets	32,254
Change in net assets	(715,058)
Net assets, beginning of year	2,816,657
Net assets, end of year	\$ 2,101,599
Represented by	
Unrestricted	\$ 1,870,887
Temporarily restricted	230,712
Net assets, end of year	\$ 2,101,599

See accompanying Independent Auditor's Report and notes to the financial statements.

Miriam's Kitchen, Inc.
Statement of Functional Expenses
For the Nine Months Ended September 30, 2013

	Program services								Total
	Meals	Miriam's studio	Case management	Permanent supportive housing	Advocacy	Development	Miriam's café	Administration	
Food and kitchen supplies	\$ 170,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,208
Salaries and benefits	351,121	177,612	328,812	65,297	203,957	224,252	113,965	50,454	1,515,470
Insurance	5,450	2,133	5,687	2,606	2,606	3,317	1,422	474	23,695
Office supplies and expense	8,741	3,527	9,407	7,218	4,282	5,446	2,451	1,088	42,160
Program support	19,273	13,876	18,805	8,062	9,302	-	5,843	-	75,161
Client support	-	-	46,572	-	-	-	-	-	46,572
Financial solicitation	4	2	5	3	2	102,344	1	-	102,361
Repairs and maintenance	21,498	2,200	4,529	-	-	-	906	-	29,133
Professional fees	3,623	1,418	3,780	1,733	1,733	2,205	945	315	15,752
Miscellaneous	12,687	4,999	14,190	8,116	5,536	9,248	3,226	1,129	59,131
Occupancy	17,698	5,958	13,387	2,594	6,439	9,551	3,841	1,484	60,952
Strategic plan implementation	4,482	1,754	4,676	2,143	2,143	2,728	1,169	390	19,485
Depreciation and amortization	7,262	-	7,262	-	-	151	-	454	15,129
Advocacy	-	-	-	-	6,207	-	-	-	6,207
Cleaning	42,785	10,696	42,785	-	-	-	10,696	-	106,962
Total expenses	\$ 664,832	\$ 224,175	\$ 499,897	\$ 97,772	\$ 242,207	\$ 359,242	\$ 144,465	\$ 55,788	\$ 2,288,378

See accompanying Independent Auditor's Report and notes to the financial statements.

Miriam's Kitchen, Inc.
Statement of Cash Flows

For the nine months ended September 30,
2013

Cash flow (used) by operating activities	
Change in net assets	\$ (715,058)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	15,129
Donation of stock	(18,157)
Gain/loss on investments	(57,170)
Accounts receivable	183,704
Pledges receivable	(32,254)
Prepaid expenses	(1,864)
Other assets	930
Accounts payable and accrued expenses	52,710
Deferred income	(33,000)
Net cash (used) by operating activities	(605,030)
Cash flow provided by investing activities	
Proceeds from sale of stock	18,204
Net disposition of investments	491,452
Net cash provided by investing activities	509,656
Net (decrease) in cash and cash equivalents	(95,374)
Cash and cash equivalents, January 1,	512,334
Cash and cash equivalents, September 30,	\$ 416,960

See accompanying Independent Auditor's Report and notes to the financial statements.

Miriam's Kitchen, Inc.

Notes to the Financial Statements

Note 1

Organization and Purpose

Miriam's Kitchen (the Organization) was founded in 1983 under the laws of the District of Columbia through a collaboration of Western Presbyterian Church, the United Church, and the George Washington University Hillel Student Association. Located in Northwest Washington, D.C., the Organization operates four programs: the Meals Program, which serves breakfast and dinner each weekday morning; the Case Management Program, which provides clinical case management services, transportation and identification assistance, and referrals to needed support services; the Miriam's Studio Program, which provides therapeutic art and socialization groups each weekday morning; and the Miriam's Café Program, which operates every Wednesday afternoon from 12 – 2 pm.

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it has been organized and operated exclusively for charitable purposes.

Note 2

Summary of Significant Accounting Policies

Basis of Accounting

The Organization uses the accrual basis of accounting for financial reporting whereby revenue is recognized when earned and expenses are recognized when incurred. The Organization's primary source of revenue, contributions, is recognized as unrestricted unless specified by the donor for a specific use in future periods. Temporarily restricted revenues received and released from restriction in the same period are reported as unrestricted revenue.

Change in Year- End

In 2013, the Organization changed from a calendar year end by adopting a fiscal year ending September 30. Accordingly, the reporting period for the financial statements is for the short year beginning January 1, 2013 and ending September 30, 2013.

Contributed Goods and Services

Support from donated food, professional services, van usage and building and equipment usage has been recorded at its estimated fair value. Support arising from contributed services of volunteers has not been recognized in the accompanying financial statements because an objective basis is not available to assign fair values to such items.

The in-kind contributions for the period ended September 30, 2013 are described below:

	2013
Facility use	\$ 35,934
Food	87,461
Fundraising support	25,018
Total	\$ 148,413

As part of the 100 Bowls of Compassion fundraising event, donors contribute items to be auctioned off. Items that are not sold during the event are returned to the donor unless the donor declines to accept them back. Items that are not returned are utilized in other fundraising events. These items are not recorded on the financial statements.

FDIC and SIPC Insurance

The Organization maintains its cash accounts primarily with banks located in the Washington, DC area. The total cash balances are insured by the FDIC up to \$250,000 per bank. As of September 30, 2013, the Organization maintained cash balances that exceeded the FDIC insured limit by \$170,372.

The Organization maintains accounts with an investment firm. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation.

Inventory

The Organization holds immaterial amounts of inventory, consisting of various food items and paper products, the costs of which have been expensed in the accompanying financial statements.

See accompanying Independent Auditor's Report.

Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with banks, and all highly liquid investments with original maturity dates of three months or less.

Temporarily Restricted Revenue

Temporarily restricted revenue received and released from restriction in the same period is reported as unrestricted revenue.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are reported at market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320, Investments. Unrealized gains and losses are shown as changes in net assets.

Receivables

Receivables are recorded at cost, no interest is charged on accounts and accounts are written off at the point management deems them to be uncollectible. In 2013, management determined that a 10% reserve for uncollectible receivables should be created for pledges donated from America's Charities.

Property and Equipment

Equipment is recorded at cost and depreciation is computed on the accelerated method over a five year to seven year useful life. Real property is depreciated on the accelerated method over a 15 or 27.5 year life and personal property is depreciated on the accelerated method over a 5 or 7 year life.

Expenditures for maintenance and repairs and minor betterments that do not extend the lives of the assets are charged to expense as incurred. Major expenditures which extend the lives of the assets are capitalized.

Fair Value of Financial Instruments

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. This pronouncement did not require any new fair value measurements and its adoption did not affect the results of operations or financial position of the Organization.

Subsequent Events

Subsequent events have been evaluated through April 2, 2014, which is the date the financial statements were available to be issued.

Note 3

Contributions

Contributions include the following for the period ended September 30, 2013:

	Unrestricted	In-kind	Total
Foundations	\$ 179,792	\$ -	\$ 179,792
Church community	9,997	35,934	45,931
Corporation/other organizations	378,528	112,479	491,007
Individuals	602,950	-	602,950
Total contributions	\$ 1,171,267	\$ 148,413	\$ 1,319,680

For the period ended September 30, 2013, \$85,576 was received from members of the Board of Directors and staff.

See accompanying Independent Auditor's Report.

Miriam's Kitchen, Inc.
Notes to the Financial Statements (Continued)

Note 4

Related-Party Transactions

Western Presbyterian Church provides the following forms of direct financial support to the Organization: the free use of space to house the Organization's operations, certain accounting services, and the use of the church's vehicles. Included in the September 30, 2013 accounts payable is \$5,062 due to the Church for reimbursements for certain expenses.

For the period ended September 30, 2013, the Church made an in-kind contribution of \$35,934.

In July of 2009, the Organization began making payments to Western Presbyterian Church to defray the Church's costs associated with the Organization's use of additional space for its case management program. The payment is \$80,000 per year, but the amount would drop to \$60,000 per year if the Kitchen had cancelled its expanded use of the premises. The agreement, which expired in April 2012, has been extended to June 21, 2015 with rights to extend for three successive additional periods of one year each. Under the terms of the extended agreement, the Organization will pay Western Presbyterian Church \$81,600 per annum. The usage fee shall increase 2% annually on the anniversary of the execution of the agreement. If certain additional space becomes available, the Organization has a right of first refusal for use of that space. If the right is exercised, an additional \$5,000 will be included in the annual usage fee. In the event the Organization exercises its right to cancel the Expanded Use, the annual usage payment shall be reduced to \$61,200.

Western Presbyterian Church contributed \$231 in cash to the Kitchen in the period ended September 30, 2013.

Note 5

403(b) Plan

In July 2000, the Board of Directors authorized the establishment of a defined contribution 403(b) Plan. The Plan name is the Western Presbyterian Church 403(b) Retirement Plan, and all permanent employees who work over 20 hours a week are eligible to make elective deferrals and to receive employer contributions equal to 6% of their salaries. The employer contributions as of the period ended September 30, 2013 were \$61,718.

Note 6

Unconditional Promises to Give

Individuals have pledged the following amounts, either directly or through America Charities (AC) and the Combined Federal Campaign (CFC) as of September 30, 2013:

	Direct pledges	AC and CFC	Total
To be paid in 2014-2015	\$ 150,837	\$ 79,875	\$ 230,712

Management believes that 100% of all direct pledges are collectible. The AC and CFC amounts are based upon pledges received and determined in the year indicated. Due to the low rates of return currently available on investments, no discount has been recorded on the above pledges.

Note 7

Fair Value Measurements

Fair Value of Financial Instruments

The following table represents the historical cost basis and estimated fair values of financial instruments at September 30:

	2013	
	Cost basis	Fair value
Vanguard Funds	\$ 1,386,271	\$ 1,503,700
Total	\$ 1,386,271	\$ 1,503,700

The fair values of the financial statements shown in the preceding table represent management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants as of the dates shown. Those fair value measurements maximize the use of observable units.

See accompanying Independent Auditor's Report.

Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:
Cash and cash equivalents – the net carrying amounts, at face value, approximate fair value because of the short maturity of these instruments.

Investments – Fair values for securities are measured using prices provided by its investment managers and its custodian bank multiplied by the quantity held. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair Value Hierarchy

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, effective January 1, 2008, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2013:

	September 30, 2013 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Investments:				
Vanguard:				
Treasury money market fund	\$ 738,975	\$ 738,975	\$ -	\$ -
Bond index funds	213,508	213,508	-	-
Growth index fund	141,707	141,707	-	-
Inflation protection security	42,908	42,908	-	-
Small cap index fund	100,635	100,635	-	-
Total international stock	79,732	79,732	-	-
Value index fund	142,822	142,822	-	-
Loomis Sayles global fund	43,413	43,413	-	-
Total	\$ 1,503,700	\$ 1,503,700	\$ -	\$ -

Note 8

Accounting for Uncertain Tax Positions

The Organization has adopted ASC 740, Income Taxes. This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The adoption of ASC 740, Income Taxes had no material effect on the

See accompanying Independent Auditor's Report.

Miriam's Kitchen, Inc.
Notes to the Financial Statements (Continued)

Organization's financial position, results of operations, or cash flow. The tax years of 2010 to 2012 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in administration expenses. The Organization did not recognize expenses for interest or penalties for the period ended September 30, 2013.

Note 9

Line of Credit

On June 12, 2012, the Organization entered into a line of credit agreement with PNC Bank which allows the Organization to draw a maximum of \$100,000 at a rate of 5.5%. The term of the loan is one year from the commencement date or a later date as designated by the bank. The Organization did not draw on the line of credit. In June 2013, the Organization extended the line for an additional year.

See accompanying Independent Auditor's Report.