

Miriam's Kitchen, Inc.

Financial Statements
For the year ended
September 30, 2015



HERTZBACH
certified public accountants • consultants

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, 2015, and the related statements of activities and cash flows for the year 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 audit 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 year ended September 30, 2015, and the changes 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.

Hertzbach & Company, P.A.

Hertzbach & Company, P.A.

March 28, 2016

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Miriam's Kitchen, Inc.
Statement of Financial Position

September 30,
2015

Assets	
Current assets	
Cash and cash equivalents	\$ 354,582
Accounts receivable	47,877
Pledges receivable (less allowance of \$3,370)	271,919
Prepaid expenses	40,764
Deposits	2,800
Total current assets	717,942
Investments	
Vanguard index and money market funds	1,213,184
Total investments	1,213,184
Property and equipment	
Dining room renovations	90,781
Kitchen equipment	56,546
Office equipment	56,722
Van	22,454
Less: accumulated depreciation	(142,286)
Total property and equipment	84,217
Other assets	
Pledges receivable - long term	156,716
Total other assets	156,716
Total assets	\$ 2,172,059
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 246,813
Total current liabilities	246,813
Net assets	
Unrestricted	1,495,584
Temporarily restricted	429,662
Total net assets	1,925,246
Total liabilities and net assets	\$ 2,172,059

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

Miriam's Kitchen, Inc.
Statement of Activities

For the year ended September 30,
2015

Changes in unrestricted net assets	
Support and revenue	
Cash contributions	\$ 2,254,796
Permanent Supportive Housing Program revenue	429,210
In kind contributions	88,873
Investment income	15,981
Realized and unrealized gains (losses) on investments	(20,735)
Assets released from restriction	517,067
Total unrestricted support and revenue	3,285,192
Expenses	
Program services	
Meals	811,833
Miriam's studio	814,429
Case management	287,333
Permanent supportive housing	625,082
Advocacy	415,924
Communications	247,663
Development	333,900
Administration	194,721
Total expenses	3,730,885
Increase in unrestricted net assets	(445,693)
Changes in temporarily restricted net assets	
Contributions	
	318,215
Assets released from restriction	(517,067)
Increase in temporarily restricted net assets	(198,852)
Change in net assets	(644,547)
Net assets, beginning of year	2,569,793
Net assets, end of year	\$ 1,925,246
Represented by	
Unrestricted	\$ 1,495,584
Temporarily restricted	429,662
Net assets, end of year	\$ 1,925,246

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

Miriam's Kitchen, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program services										Total	
	Meals	Case Management	Miriam's Studio	Permanent supportive housing	Advocacy	Communications	Development	Administration				
Advocacy Supplies	\$ -	\$ -	\$ -	\$ -	\$ 14,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,477
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	6,750
Board and Staff Development	5,852	7,152	2,276	4,876	3,901	1,300	5,527	-	-	-	6,750	32,509
Cleaning	43,139	43,139	21,569	-	-	-	-	-	-	-	-	107,847
Client Support	-	69,489	16,249	-	-	-	-	-	-	-	-	85,738
Communications	5,397	6,451	2,021	4,312	3,558	1,268	5,112	1,578	-	-	1,578	29,697
Depreciation and amortization	4,830	5,904	1,878	4,025	3,220	1,073	4,562	1,342	-	-	1,342	26,834
Financial Solicitation	-	-	-	-	-	-	24,655	-	-	-	-	24,655
Food and Kitchen Supplies	160,812	-	-	-	-	-	-	-	-	-	-	160,812
Insurance	5,782	6,637	2,018	4,273	3,737	1,486	5,502	1,839	-	-	1,839	31,274
Miscellaneous	4,273	5,075	1,567	3,339	2,829	1,057	4,119	1,505	-	-	1,505	23,764
Occupancy	12,426	18,186	4,992	39,763	10,916	4,752	17,589	5,884	-	-	5,884	114,508
Office Supplies and Expense	9,945	11,416	3,472	7,350	6,428	2,555	9,466	3,161	-	-	3,161	53,793
Professional Fees	21,528	29,514	8,495	18,333	18,217	7,855	29,085	9,738	-	-	9,738	142,765
Program Support	-	-	8,774	62,629	-	-	-	-	-	-	-	71,403
Repairs and Maintenance	48,908	1,806	1,806	-	-	-	-	-	-	-	-	52,520
Salaries and Benefits	482,196	601,918	209,861	471,197	344,282	224,584	221,864	159,154	-	-	159,154	2,715,056
Strategic Plan Implementation	6,745	7,742	2,355	4,985	4,359	1,733	6,419	2,145	-	-	2,145	36,483
Total expenses	\$ 811,833	\$ 814,429	\$ 287,333	\$ 625,082	\$ 415,924	\$ 247,663	\$ 333,900	\$ 194,721	\$ -	\$ -	\$ 194,721	\$ 3,730,885

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

Miriam's Kitchen, Inc.
Statement of Cash Flows

For the year ended September 30,
2015

Cash flow (used) by operating activities	
Change in net assets	\$ (644,547)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	26,834
Donation of stock	(16,817)
Gain/loss on investments	20,735
(Increase) decrease in operating assets	
Accounts receivable	(16,967)
Pledges receivable	159,602
Prepaid expenses	(8,371)
Deposits	(2,800)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	65,477
Net cash (used) by operating activities	(416,854)
Cash flow provided by investing activities	
Proceeds from sale of stock	16,795
Acquisition of fixed assets	-
Net disposition of investments	329,000
Net cash provided by investing activities	345,795
Net (decrease) in cash and cash equivalents	(71,059)
Cash and cash equivalents, October 1, 2014	425,641
Cash and cash equivalents, September 30, 2015	\$ 354,582

See Independent Auditor's Report and accompanying 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 with a mission to end chronic homelessness in Washington, DC. While ending chronic homelessness might sound impossible, the Organization knows that it is not. Its philosophy begins with dignity – connecting its chronically homeless guests with the highest quality, most nutritious meals in the city. It happens through belonging – its case managers build a community where each individual feels safe getting the help that they need, when they are ready to receive it. It continues through change – in partnership with people who have experienced homelessness, they advocate for the D.C. government to make investments in the housing programs that are most proven to end homelessness. Meanwhile, they partner with other service providers and government agencies to change the way homeless services are delivered in Washington. It is completed with housing – the most successful intervention for chronic homelessness is permanent supportive housing, which couples permanent housing with supportive services that target the specific needs of an individual. The Organization provides supportive services to 95 residents in the District's Permanent Supportive Housing program because housing is the solution to homelessness. Permanent supportive housing improves health outcomes; reduces the cost of emergency services, like emergency room visits and first responder services; and provides people with the tools they need to get their lives back. Best of all, it has a 92 percent success rate in Washington, DC., which means it not only gets people off the streets, it helps them stay in housing.

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 and contributions are 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.

Contributed Goods and Services

Support from donated food 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 food for the year ended September 30, 2015 were \$88,873.

FDIC and SIPC Insurance

The entity maintains its cash accounts primarily with banks located in Washington, D.C. The total cash balances are insured by the FDIC up to \$250,000 per bank. At times, these balances may exceed the federally insured limits; however, the entity has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at September 30, 2015.

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.

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 year is reported as unrestricted revenue.

See accompanying Independent Auditor's Report.

Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)

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 2015, management determined that a 10% reserve for uncollectible receivables should be used 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 March 28, 2016, which is the date the financial statements were available to be issued.

Note 3

Contributions

Contributions include the following for the year ended September 30, 2015:

	Unrestricted	In-kind	Restricted	Total
Foundations	\$ 578,292	\$ -	\$ -	\$ 578,292
Church community	-	-	-	-
Corporation/other organizations	568,033	88,873	42,094	699,000
Individuals	1,082,855	-	258,121	1,340,976
Government	25,617	-	18,000	43,617
Total contributions	\$ 2,254,797	\$ 88,873	\$ 318,215	\$ 2,661,885

For the year ended September 30, 2015, \$87,457.18 was received from members of the Board of Directors and staff.

Note 4

Related-Party Transactions

Western Presbyterian Church provides the use of space to house the Organization's operations. Included in the September 30, 2015 accounts payable is \$56,590 due to the Church for reimbursement for expenses paid.

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, and in July of 2015 this

See accompanying Independent Auditor's Report.

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

arrangement was revised. The current payment is \$86,604 per year, but the amount would drop to \$64,953 per year if the Kitchen cancels its expanded use of the premises. The agreement now expires June 21, 2018 with rights to extend for three successive additional periods of one year each. 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.

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 year ended September 30, 2015 were \$116,350.

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, 2015:

	Direct pledges	AC and CFC	Total
To be paid in 2016-2017	\$ 398,303	\$ 30,331	\$ 428,634

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. Indirect pledges have a tendency to be harder to collect and, therefore, management has recorded a 10% reserve for uncollectable indirect 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:

	2015	
	Cost basis	Fair value
Vanguard Funds	\$ 1,056,392	\$ 1,213,184
Total	\$ 1,056,392	\$ 1,213,184

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.

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

See accompanying Independent Auditor's Report.

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

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, 2015:

	September 30, 2015 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	\$ 360,627	\$ 360,627	\$ -	\$ -
Bond index funds	230,632	230,632	-	-
Growth index fund	172,344	172,344	-	-
Inflation protection security	43,155	43,155	-	-
Small cap index fund	110,033	110,033	-	-
Large cap index fund	15,165	15,165	-	-
Total international stock	74,667	74,667	-	-
Value index fund	165,008	165,008	-	-
Loomis Sayles global fund	41,553	41,553	-	-
Total	\$ 1,213,184	\$ 1,213,184	\$ -	\$ -

Note 8

Gains (Losses) on Investment

The organization had an unrealized loss on its investments at September 30, 2015 of \$20,713. In addition, they recognized a loss of \$22 on the sale of donated stock as follows:

Cost	Proceeds	Loss
\$ 16,817	\$ 16,795	\$ 22

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. 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 July 2015, the Organization extended the line for an additional year at an annual interest rate of 4.25%.

See accompanying Independent Auditor's Report.

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

Note 10

Permanent Supportive Housing Program

In 2014, Miriam's Kitchen entered into an agreement with the DC Department of Human Services (DC-DHS) to provide case management services to participants in the city's Permanent Supportive Housing program for a one year term beginning May 23, 2014 for a total value of up to \$530,600. Under the agreement, Miriam's Kitchen provided case management supportive services to up to 70 individuals, with some funds available to provide utility and emergency funds to participating clients. In May of 2015, the first one year option was exercised at a total value of \$680,580 and the case management supportive services threshold was revised to a maximum of 95 individuals, Miriam's Kitchen is paid monthly by DC-DHS based on the number of clients served. The agreement has 4 one year options.

Note 11

Occupancy Obligations

Miriam's Kitchen entered into an agreement with Western Presbyterian Church on July 20, 2015 which extends the original agreement entered into on June 22, 2009. The extended agreement ends June 21, 2018 and sets an annual cost sharing fee of \$86,604, which increases by 2% annually on the anniversary of the execution of the agreement. As of September 30, 2015, the future minimum commitments under this agreement are \$243,392. The agreement has three one year extension options which must be exercised 90 days prior to the current agreement termination date.

Miriam's Kitchen entered into a lease agreement to lease a housing unit to use as office space. The lease commences May 1, 2015 and ends April 30, 2016, with an annual rent of \$33,600. As of September 30, 2015, the future commitments under this lease are \$19,600. The lease has an option for a one year extension at the same rate which can be exercised by Miriam's Kitchen by January 31, 2016.

Future minimum occupancy commitments for the years ending September 30 are:

2016	\$	106,637
2017		88,778
2018		67,577

See accompanying Independent Auditor's Report.