

# **Miriam's Kitchen, Inc.**

Audited Financial Statements  
For the years ended  
December 31, 2011 and 2010

# 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 statement of financial position of Miriam's Kitchen, Inc. (a nonprofit organization), as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miriam's Kitchen, Inc., as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Buchanan & Company PLLC*

**BUCHANAN**  
**&**  
**COMPANY**

September 24, 2012

**Miriam's Kitchen, Inc.**  
**Statement of Financial Position**

	December 31,	
	2011	2010
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 227,414	\$ 141,303
Accounts receivable	498,956	288,665
Pledges receivable	221,593	318,315
Prepaid expenses	12,991	30,153
<b>Total current assets</b>	<b>960,954</b>	<b>778,436</b>
Investments		
Legg Mason government money market fund	-	2,125,518
Vanguard index and money market funds	2,081,223	187,367
<b>Total investments</b>	<b>2,081,223</b>	<b>2,312,885</b>
Property and equipment		
Dining room renovations	90,781	90,781
Kitchen equipment	19,812	19,812
Office equipment	37,202	37,202
Van	22,454	-
Less: accumulated depreciation	(60,452)	(34,262)
<b>Total property and equipment</b>	<b>109,797</b>	<b>113,533</b>
Other assets		
Pledges receivable - long term	66,945	70,260
Other	660	780
<b>Total other assets</b>	<b>67,605</b>	<b>71,040</b>
<b>Total assets</b>	<b>\$ 3,219,579</b>	<b>\$ 3,275,894</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 80,740	\$ 73,122
<b>Total current liabilities</b>	<b>80,740</b>	<b>73,122</b>
Net assets		
Unrestricted	2,716,548	2,628,531
Temporarily restricted	422,291	574,241
<b>Total net assets</b>	<b>3,138,839</b>	<b>3,202,772</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,219,579</b>	<b>\$ 3,275,894</b>

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Activities**

For the years ended December 31,  
2011                      2010

Changes in unrestricted net assets		
Support and revenue		
Cash contributions	\$ 1,048,193	\$ 949,927
In kind contributions	151,438	111,053
Special events revenue	493,320	391,945
Investment income	13,099	4,221
Merchandise sales	2,369	1,841
Miscellaneous income	9	4,169
Realized and unrealized gains (losses) on investments	(748)	3,211
Assets released from restriction	567,374	463,770
<b>Total unrestricted support and revenue</b>	<b>2,275,054</b>	<b>1,930,137</b>
Expenses		
Program services		
Breakfast	399,017	337,022
Miriam's studio	203,773	148,759
Morning case management	322,278	284,338
Dinner program	304,446	294,791
Evening case management	341,847	340,622
Advocacy	139,801	-
Development	343,970	230,673
Miriam's café	47,450	-
Administration	84,455	37,235
<b>Total expenses</b>	<b>2,187,037</b>	<b>1,673,440</b>
<b>Increase in unrestricted net assets</b>	<b>88,017</b>	<b>256,697</b>
Changes in temporarily restricted net assets		
Contributions	415,424	549,926
Assets released from restriction	(567,374)	(463,770)
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>(151,950)</b>	<b>86,156</b>
<b>Change in net assets</b>	<b>(63,933)</b>	<b>342,853</b>
<b>Net assets, beginning of year</b>	<b>3,202,772</b>	<b>2,859,919</b>
<b>Net assets, end of year</b>	<b>\$ 3,138,839</b>	<b>\$ 3,202,772</b>
Represented by		
Unrestricted	\$ 2,716,548	\$ 2,628,531
Temporarily restricted	422,291	574,241
<b>Net assets, end of year</b>	<b>\$ 3,138,839</b>	<b>\$ 3,202,772</b>

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2011**

	Program services									Total	
	Breakfast program	Miriam's studio	Morning case management	Dinner program	Evening case management	Advocacy	Development	Miriam's café	Administratior		
Food and kitchen supplies	\$ 114,488	\$ -	\$ -	\$ 76,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,812
Salaries and benefits	185,151	153,595	222,209	156,678	247,579	106,283	204,142	27,040	77,229	1,379,906	
Insurance	2,168	1,230	1,875	1,875	1,933	996	1,523	586	176	12,362	
Office supplies and expense	8,445	5,357	8,445	6,682	8,832	4,651	6,842	2,777	816	52,847	
Program support	15,866	17,816	16,476	13,866	17,976	9,100	-	6,238	-	97,338	
Client support	-	-	28,070	-	18,713	-	-	-	-	46,783	
Financial solicitation	778	489	778	600	823	378	99,166	222	68	103,302	
Repairs and maintenance	17,271	2,371	2,371	12,491	2,371	-	-	976	-	37,851	
Professional fees	2,171	1,425	2,171	1,696	2,239	1,153	1,764	678	204	13,501	
Miscellaneous	23,042	8,208	12,799	9,878	13,217	6,817	10,434	4,174	1,252	89,821	
Occupancy	13,793	7,044	11,140	10,524	11,817	4,833	11,890	1,640	2,919	75,600	
Strategic plan implementation	9,558	6,238	9,658	7,546	10,061	5,232	7,948	3,119	1,006	60,366	
Depreciation and amortization	6,286	-	6,286	6,286	6,286	-	261	-	785	26,190	
Advocacy	-	-	-	-	-	358	-	-	-	358	
<b>Total expenses</b>	<b>\$ 399,017</b>	<b>\$ 203,773</b>	<b>\$ 322,278</b>	<b>\$ 304,446</b>	<b>\$ 341,847</b>	<b>\$ 139,801</b>	<b>\$ 343,970</b>	<b>\$ 47,450</b>	<b>\$ 84,455</b>	<b>\$ 2,187,037</b>	

*See accompanying notes.*

**Miriam's Kitchen, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010**

	Program services									Total
	Breakfast program	Miriam's studio	Morning case management	Dinner program	Evening case management	Advocacy	Development	Administrator		
Food and kitchen supplies	\$ 74,823	\$ -	\$ -	\$ 41,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,737
Salaries and benefits	183,699	109,499	216,069	180,088	267,774	-	118,347	34,317	-	1,109,793
Insurance	1,779	936	1,592	1,779	2,341	-	749	187	-	9,363
Office supplies and expense	10,315	4,545	8,981	9,654	12,895	-	4,126	1,060	-	51,576
Program support	23,971	19,293	17,921	20,721	18,204	-	234	48	-	100,392
Client support	-	-	15,953	-	12,034	-	-	-	-	27,987
Financial solicitation	1,971	1,037	1,763	1,971	2,593	-	73,532	207	-	83,074
Repairs and maintenance	16,202	-	-	15,009	-	-	-	-	-	31,211
Professional fees	2,588	1,165	2,329	2,329	3,235	-	1,035	259	-	12,940
Miscellaneous	4,811	2,164	4,197	4,463	6,013	-	1,924	482	-	24,054
Occupancy	10,120	10,120	10,120	10,120	10,120	-	30,500	-	-	81,100
Depreciation and amortization	5,413	-	5,413	5,413	5,413	-	226	675	-	22,553
Capital expenses	1,330	-	-	1,330	-	-	-	-	-	2,660
<b>Total expenses</b>	<b>\$ 337,022</b>	<b>\$ 148,759</b>	<b>\$ 284,338</b>	<b>\$ 294,791</b>	<b>\$ 340,622</b>	<b>\$ -</b>	<b>\$ 230,673</b>	<b>\$ 37,235</b>	<b>\$ -</b>	<b>\$ 1,673,440</b>

See accompanying notes.

**Miriam's Kitchen, Inc.**  
**Statement of Cash Flows**

For the years ended December 31,  
2011                      2010

	2011	2010
<b>Cash flow provided (used) by operating activities</b>		
Change in net assets	\$ (63,933)	\$ 342,853
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,190	22,553
Donation of stock	(44,106)	(40,884)
Loss on investments	748	(3,211)
Accounts receivable	(210,291)	(13,356)
Pledges receivable	100,037	(63,005)
Prepaid expenses	17,162	(17,283)
Other assets	120	-
Accounts payable and accrued expenses	7,618	(19,458)
Net cash provided (used) by operating activities	(166,455)	208,209
<b>Cash flow provided (used) by investing activities</b>		
Proceeds from sale of stock	43,325	40,884
Acquisition of fixed assets	(22,454)	(16,938)
Net (acquisition)disposition of investments	231,695	(131,985)
Net cash provided (used) by investing activities	252,566	(108,039)
Net increase in cash and cash equivalents	86,111	100,170
Cash and cash equivalents, beginning of year	141,303	41,133
Cash and cash equivalents, end of year	\$ 227,414	\$ 141,303

*See accompanying notes.*



# 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.

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

### Note 2

#### Summary of Significant Accounting Policies

##### Basis of Accounting

Miriam's Kitchen 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.

##### 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 2011 and 2010 in-kind contributions are described below:

	2011	2010
Facility use	\$ 50,600	\$ 50,600
Food	75,838	29,953
Fundraising support	25,000	30,500
Total	\$ 151,438	\$ 111,053

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 in 2011 and 2010. The Organization had no amounts on deposit that exceeded the balance insured by the FDIC at December 31, 2011 or 2010.

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

Miriam's Kitchen 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.

# 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.

### 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

Effective January 1, 2008, the Organization 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 September 24, 2012, which is the date the financial statements were available to be issued.

## Note 3

### Contributions

Contributions include the following for the year ended December 31, 2011:

	Unrestricted	In-kind	Total
Foundations	\$ 454,386	\$ -	\$ 454,386
Church community	40,011	50,600	90,611
Corporation/other organizations	115,562	75,838	191,400
Workplace Giving/United Way	67,244	-	67,244
Individuals	370,990	-	370,990
Total contributions	\$ 1,048,193	\$ 126,438	\$ 1,174,631

For the year ended December 31, 2011, \$98,271 was received from members of the Board of Directors and staff.

Contributions include the following for the year ended December 31, 2010:

	Unrestricted	In-kind	Total
Foundations	\$ 376,337	\$ -	\$ 376,337
Church community	40,638	50,600	91,238
Corporation/other organizations	166,329	29,953	196,282
United Way	74,553	-	74,553
Individuals	292,070	-	292,070
Total contributions	\$ 949,927	\$ 80,553	\$ 1,030,480

For the year ended December 31, 2010, \$99,916 was received from members of the Board of Directors and staff.

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

In 2009, Miriam's Kitchen received a \$2,500 conditional in kind grant from the Capital Area Food Bank. Of the \$2,500 grant proceeds received, Miriam's Kitchen utilized \$200 in 2009 and the remaining \$2,300 in 2010.

**Note 4**

**Related-Party Transactions**

Western Presbyterian Church provides some direct financial support to Miriam's Kitchen, free use of space to house the Organization's operations, certain accounting services, and use of its vehicles. Included in the December 31, 2011 and 2010 accounts receivable are \$155,080 and \$31,493, respectively, due from the Church for reimbursements for certain expenses.

In both 2011 and 2010, the Church made annual in-kind contribution of \$50,600.

In July of 2009, Miriam's Kitchen began making payments to Western Presbyterian Church to defray costs associated with Miriam's Kitchen'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.

Cash contributions made by Western Presbyterian Church to the Kitchen were \$4,000 in both 2011 and 2010.

**Note 5**

**Restricted Net Assets**

Temporarily restricted net assets consist of funds received for general use in a future year, as shown below:

	2011	2010
Pledges receivable	\$ 288,538	\$ 388,575
Help the Homeless Walkathon*	133,753	185,666
Total	\$ 422,291	\$ 574,241

\*Included in accounts receivable

**Note 6**

**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 2011 and 2010 employer contributions were \$54,283 and \$45,756, respectively.

**Note 7**

**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 the year ended December 31, 2011:

	Direct pledges	AC and CFC	Total
To be paid in 2012-2013	\$ 173,986	\$ 114,552	\$ 288,538

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

Individuals have pledged the following amounts as of the year ended December 31, 2010:

	Direct pledges	AC and CFC	Total
To be paid in 2011-2013	\$ 276,878	\$ 111,697	\$ 388,575

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 8**

**Fair Value Measurements**

**Fair Value of Financial Instruments**

The following table represents the historical cost basis and estimated fair values of financial instruments at December 31:

	2011		2010	
	Cost basis	Fair value	Cost basis	Fair value
Legg Mason Government Money Market Fund	\$ -	\$ -	\$ 2,125,518	\$ 2,125,518
Vanguard Funds	2,075,931	2,081,223	182,108	187,367
Total	\$ 2,075,931	\$ 2,081,223	\$ 2,307,626	\$ 2,312,885

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 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.*

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

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 December 31, 2011 and 2010:

	December 31, 2011 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	\$ 1,449,263	\$ 1,449,263	\$ -	\$ -
Bond index funds	205,911	205,911	-	-
Growth index fund	100,944	100,944	-	-
Inflation protection security	43,153	43,153	-	-
Small cap index fund	67,215	67,215	-	-
Total international stock	61,434	61,434	-	-
Value index fund	102,673	102,673	-	-
Loomis Sayles global fund	41,437	41,437	-	-
Stock funds	9,193	9,193	-	-
Total	\$ 2,081,223	\$ 2,081,223	\$ -	\$ -

	December 31, 2010 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:				
Legg Mason accounts	\$ 2,125,518	\$ 2,125,518	\$ -	\$ -
Vanguard:				
Treasury money market fund	67,041	67,041	-	-
Bond index funds	111,310	111,310	-	-
Stock funds	9,016	9,016	-	-
Total	\$ 2,312,885	\$ 2,312,885	\$ -	\$ -

**Note 9**

**Matching Pledge**

In 2007, the Organization received a conditional pledge to match dollar for dollar, up to \$50,000, any new or increased donations made by individuals during the period January 1, 2008 through June 30, 2009. The condition was fully met during 2008; consequently, the \$50,000 pledge was recorded in that year. The pledge was paid in full in 2010.

**Note 10**

**Accounting for Uncertain Tax Positions**

Effective January 1, 2010, the Organization adopted the accounting standards regarding "Accounting for Uncertain Tax Positions." 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 this standard had no material effect on the Organization's financial position, results of operations, or cash flow. The tax years of 2008 to 2010 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 in 2011 or 2010.

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

**Note 11**

**Prior Year Restatement**

In 2011, management determined that the value of the in kind contribution recorded for 2010 for use of space should have been \$50,600 and not the \$130,600 as originally reported. The Organization began paying for a portion of the space in 2009, thus reducing the contributed portion. In 2010 the Organization paid \$80,000 toward the use of its space.

The change does not affect net assets; it reduces the reported in kind contributions and the corresponding expense for occupancy by \$80,000 each.