

# Miriam's Kitchen, Inc.

Financial Statements  
For the year ended  
September 30, 2016



**HERTZBACH**  
*certified public accountants • consultants*

# Miriam's Kitchen, Inc.

## CONTENTS

---

Independent Auditor's Report	1
------------------------------	---

---

Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-10

---



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, 2016, and the related statements of activities, functional expenses, 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, 2016, 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.*

January 23, 2017

Northern Virginia  
Greater Washington, D.C  
Baltimore

1530 Wilson Boulevard  
Suite 700  
Arlington, Virginia 22209  
703.351.6600

[hertzbach.com](http://hertzbach.com)  
BUILDING RELATIONSHIPS | DELIVERING SUCCESS®  
*Members:*  
American Institute of Certified Public Accountants  
Greater Washington Society of Certified Public Accountants

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

September 30,  
2016

<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 349,515
Accounts receivable	210,819
Pledges receivable (less allowance of \$3,494)	349,598
Inventory	2,400
Prepaid expenses	53,838
Deposits	2,800
<b>Total current assets</b>	<b>968,970</b>
Investments	
Vanguard index and money market funds	993,718
<b>Total investments</b>	<b>993,718</b>
Property and equipment	
Dining room renovations	90,781
Kitchen equipment	61,411
Office equipment	59,280
Van	22,454
Less: accumulated depreciation	(172,015)
<b>Total property and equipment</b>	<b>61,911</b>
Other assets	
Pledges receivable - long term	43,783
<b>Total other assets</b>	<b>43,783</b>
<b>Total assets</b>	<b>\$ 2,068,382</b>
<b>Liabilities and Net Assets</b>	
Current liabilities	
Accounts payable and accrued expenses	\$ 258,577
Deferred income	71,990
<b>Total current liabilities</b>	<b>330,567</b>
Net assets	
Unrestricted	1,344,434
Temporarily restricted	393,381
<b>Total net assets</b>	<b>1,737,815</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,068,382</b>

*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,  
2016

<hr/>	
Changes in unrestricted net assets	
Support and revenue	
Cash contributions	\$ 2,607,831
Permanent Supportive Housing program revenue	639,415
Behavioral Health grant revenue	177,416
In kind contributions	95,170
Investment income	18,434
Realized and unrealized gains (losses) on investments	78,027
Miscellaneous income	985
Assets released from restriction	273,107
<hr/>	
Total unrestricted support and revenue	3,890,385
Expenses	
Program services	
Meals	818,552
Case management	765,680
Miriam's studio	321,211
Permanent supportive housing	784,465
Outreach	268,249
Advocacy	475,428
Development	420,995
Administration	186,955
<hr/>	
Total expenses	4,041,535
<hr/>	
Decrease in unrestricted net assets	(151,150)
Changes in temporarily restricted net assets	
Contributions	236,826
Assets released from restriction	(273,107)
<hr/>	
Decrease in temporarily restricted net assets	(36,281)
Change in net assets	(187,431)
Net assets, beginning of year	1,925,246
<hr/>	
Net assets, end of year	\$ 1,737,815
Represented by	
Unrestricted	\$ 1,344,434
Temporarily restricted	393,381
<hr/>	
Net assets, end of year	\$ 1,737,815
<hr/>	

*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, 2016**

	Program services										Total	
	Meals	Case Management	Miriam's Studio	Permanent supportive housing	Outreach	Advocacy	Development	Administration				
Advocacy supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,954
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	28,350
Board and staff development	10,060	9,868	4,691	8,130	6,101	6,606	2,005	1,040	1,974	-	-	49,435
Cleaning	44,657	44,657	22,328	-	-	-	-	-	-	-	-	111,642
Client support	-	29,599	5,223	37,977	-	-	-	-	-	-	-	72,799
Communications	8,160	8,491	3,725	7,151	3,047	5,376	3,836	1,040	-	-	-	40,826
Depreciation and amortization	6,021	5,632	2,363	5,771	1,973	3,497	3,097	1,376	-	-	-	29,730
Financial solicitation	-	-	-	-	-	-	48,024	-	-	-	-	48,024
Food and kitchen supplies	161,502	-	-	-	-	-	-	-	-	-	-	161,502
Insurance	6,311	6,567	2,881	5,531	2,357	4,158	2,967	804	-	-	-	31,576
Miscellaneous	3,999	4,160	1,841	3,518	1,595	2,656	1,798	544	-	-	-	20,111
Occupancy	14,086	17,418	7,876	52,372	6,740	12,079	9,429	2,537	-	-	-	122,537
Office supplies and expense	9,454	9,837	4,315	8,284	3,530	6,228	4,444	1,207	-	-	-	47,299
Professional fees	35,287	57,213	13,785	28,219	12,229	21,907	16,224	22,555	-	-	-	207,419
Program support	-	-	9,008	66,300	19,176	-	-	-	-	-	-	94,484
Repairs and maintenance	43,015	2,262	2,262	-	-	-	-	-	-	-	-	47,539
Salaries and benefits	476,000	569,976	240,913	561,212	211,501	394,967	329,171	126,568	-	-	-	2,910,308
Total expenses	\$ 818,552	\$ 765,680	\$ 321,211	\$ 784,465	\$ 268,249	\$ 475,428	\$ 420,995	\$ 186,955	\$ -	\$ -	\$ -	\$ 4,041,535

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,  
2016

<b>Cash flow (used) by operating activities</b>	
Change in net assets	\$ (187,431)
Depreciation	29,729
Donation of stock	(34,935)
Gain/loss on investments	(78,027)
(Increase) decrease in operating assets	
Accounts receivable	(162,942)
Pledges receivable	35,254
Prepaid expenses	(13,074)
Inventory	(2,400)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	11,764
Deferred income	71,990
Net cash (used) by operating activities	(330,072)
<b>Cash flow provided by investing activities</b>	
Proceeds from sale of stock	33,785
Acquisition of fixed assets	(7,423)
Net disposition of investments	298,643
Net cash provided by investing activities	325,005
Net (decrease) in cash and cash equivalents	(5,067)
Cash and cash equivalents, October 1, 2015	354,582
Cash and cash equivalents, September 30, 2016	\$ 349,515

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

# Miriam's Kitchen, Inc.

## Notes to the Financial Statements (Continued)

### 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 105 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.

##### **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, 2016 were \$95,170.

##### **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, 2016.

##### **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. The Organization also provides gift cards to clients when they first move into their homes for household goods and had \$2,400 worth of gift cards left on hand at September 30, 2016.

##### **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.

### Functional Expense Allocation

The Organization prepares its statement of functional expense using management estimates for the allocations. The allocations are based upon an estimate of time spent by staff in different program areas, which forms the basis for allocating other costs such as space use, volunteer support and transportation. Indirect costs are allocated based upon total cost prior to indirect costs,

### 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 2016, 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 January 23, 2017, 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, 2016:

	Unrestricted	In-kind	Restricted	Total
Foundations	\$ 755,150	\$ -	\$ 90,000	\$ 845,150
Corporation/other organizations	643,185	95,170	105,423	843,778
Individuals	1,181,440	-	32,097	1,213,537
Government	28,056	-	9,306	37,362
Total contributions	\$ 2,607,831	\$ 95,170	\$ 236,826	\$ 2,939,827

For the year ended September 30, 2016, \$81,140 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 use of space to house the Organization's operations. Included in the September 30, 2016 accounts receivable is \$95,280 due from the Church for over 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 arrangement was revised. The current payment is \$88,336 per year, but the amount would drop to \$66,252 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, 2016 were \$126,712.

**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, 2016:

	Direct pledges	AC and CFC	Total
To be paid in 2017-2018	\$ 361,934	\$ 31,447	\$ 393,381

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:

	2016	
	Cost basis	Fair value
Vanguard Funds	\$ 800,089	\$ 993,718
Total	\$ 800,089	\$ 993,718

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

*See accompanying Independent Auditor's Report.*

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

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 follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosure. 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, 2016:

	September 30, 2016 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	\$ 189,679	\$ 189,679	\$ -	\$ -
Bond index funds	243,885	243,885	-	-
Growth index fund	195,624	195,624	-	-
Inflation protection security	45,951	45,951	-	-
Small cap index fund	126,502	126,502	-	-
Large cap index fund	17,500	17,500	-	-
Total international stock	81,882	81,882	-	-
Value index fund	92,695	92,695	-	-
Total	\$ 993,718	\$ 993,718	\$ -	\$ -

**Note 8**

**Gains (Losses) on Investment**

The organization had an unrealized gain on its investments at September 30, 2016 of \$79,177. In addition, they recognized a loss of \$1,150 on the sale of donated stock as follows:

Cost	Proceeds	Loss
\$ 34,935	\$ 33,785	\$ 1,150

**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

*See accompanying Independent Auditor's Report.*

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

the bank. The Organization did not draw on the line of credit. In July 2016, the Organization extended the line for an additional year at an annual interest rate of 5.75%.

**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 2016, the second one year option was exercised at a total value of \$703,080 and the case management supportive services threshold was revised to a maximum of 105 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**

**Outreach Program**

In 2016, Miriam's Kitchen entered into an agreement with the DC Department of Behavioral Health (DBH) to provide support to the most vulnerable and hard-to-reach people experiencing homelessness through the city's Outreach Program for the period March 15, 2016 through February 18, 2019 for up to \$415,677 per year. Miriam's Kitchen receives advanced payments every three months, of which 80% is to be expended before receipt of the next installment. If Miriam's Kitchen does not expend the entire 80% of funds, DBH will deduct any unspent funds from the final advance payment.

**Note 12**

**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, 2016, the future minimum commitments under this agreement are \$157,247. 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, 2016 and ends April 30, 2017, with an annual rent of \$33,600. As of September 30, 2016, the future commitments under this lease are \$19,600.

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

2017	\$108,819
2018	\$ 68,028

*See accompanying Independent Auditor's Report.*

Handwritten cursive text, possibly a signature or name, rendered in black ink on a white background. The script is highly stylized and fluid.

Handwritten cursive text, possibly a signature or name, rendered in black ink on a white background. The script is highly stylized and fluid.