

# MIRIAM'S KITCHEN

## Financial Statements

For the Years Ended September 30, 2018 and 2017



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

# Miriam's Kitchen, Inc.

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For the Years Ended September 30, 2018 and 2017

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Miriam's Kitchen (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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.

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Independent Auditor's Report  
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**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 September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hetzlach + Company, P.A.*

Arlington, Virginia  
January 31, 2019

# Miriam's Kitchen, Inc.

Statements of Financial Position  
As of September 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 803,202	\$ 710,362
Investments held for sale	5,382	-
Accounts receivable	65,468	179,568
Pledges receivable, net	235,665	118,625
Inventory	9,299	3,930
Prepaid expenses	66,909	64,648
Total current assets	<u>1,185,925</u>	<u>1,077,133</u>
<b>Property and equipment, net</b>	151,415	131,723
<b>Other assets</b>		
Investments	997,614	898,606
Pledges receivable - long term	53,333	18,500
Deposits	2,800	2,800
Total other assets	<u>1,053,747</u>	<u>919,906</u>
Total assets	<u>\$ 2,391,087</u>	<u>\$ 2,128,762</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 99,028	\$ 60,235
Accrued expenses	284,257	210,331
Deferred revenue	47,689	-
Deferred rent, current portion	300	-
Total current liabilities	<u>431,274</u>	<u>270,566</u>
<b>Long-term liabilities</b>		
Deferred rent, net of current portion	4,753	-
Total liabilities	<u>436,027</u>	<u>270,566</u>
<b>Net assets</b>		
Unrestricted	1,891,560	1,675,834
Temporarily restricted	63,500	182,362
Total net assets	<u>1,955,060</u>	<u>1,858,196</u>
Total liabilities and net assets	<u>\$ 2,391,087</u>	<u>\$ 2,128,762</u>

See independent auditor's report and notes to the financial statements.

# Miriam's Kitchen, Inc.

## Statements of Activities

For the Year Ended September 30, 2017

	2018	2017
<b>Unrestricted revenue, support and gains</b>		
Contributions	\$ 3,113,647	\$ 2,865,354
Permanent Supportive Housing program revenue	868,605	800,104
Behavioral Health grant revenue	394,764	470,085
In-kind contributions	241,366	184,959
Dividends and interest	31,050	22,084
Net realized and unrealized gain on investments	77,910	76,236
Miscellaneous income	3,805	14,426
Assets released from restriction	182,362	378,786
Total unrestricted revenue, support and gains	<u>4,913,509</u>	<u>4,812,034</u>
<b>Expenses</b>		
Program services:		
Meals	1,074,267	894,542
Case management	1,028,907	965,662
Miriam's Studio	-	93,228
Permanent supportive housing	973,113	886,201
Outreach	548,966	590,003
Advocacy	334,298	401,809
Total program services	<u>3,959,551</u>	<u>3,831,445</u>
Supporting services:		
Development	639,695	455,513
Administration	98,537	193,676
Total supporting services	<u>738,232</u>	<u>649,189</u>
Total expenses	<u>4,697,783</u>	<u>4,480,634</u>
Increase in unrestricted net assets	<u>215,726</u>	<u>331,400</u>
<b>Changes in temporarily restricted net assets</b>		
Contributions	63,500	167,767
Assets released from restriction	(182,362)	(378,786)
Decrease in temporarily restricted net assets	<u>(118,862)</u>	<u>(211,019)</u>
Change in net assets	96,864	120,381
Net assets, beginning of year	<u>1,858,196</u>	<u>1,737,815</u>
Net assets, end of year	<u>\$ 1,955,060</u>	<u>\$ 1,858,196</u>

See independent auditor's report and notes to the financial statements.

# Miriam's Kitchen, Inc.

## Statements of Functional Expenses For the Year Ended September 30, 2018

	Program Services					Supporting Services			Total Program and Supporting Services	
	Meals	Case Management	Permanent Supportive Housing	Outreach	Advocacy	Total Program Services	Development	Administration		Total Supporting Services
Salaries and benefits	\$ 507,929	\$ 757,412	\$ 725,081	\$ 473,078	\$ 273,948	\$ 2,737,448	\$ 396,568	\$ 72,139	\$ 468,707	\$ 3,206,155
Food and kitchen supplies	397,041	-	-	-	-	397,041	-	-	-	397,041
Professional fees	26,619	44,010	17,125	12,037	7,702	107,493	60,427	1,840	62,267	169,760
Occupancy	24,323	34,651	34,453	24,201	15,462	133,090	15,935	3,759	19,694	152,784
Financial solicitation	-	-	-	-	-	-	141,305	-	141,305	141,305
Program support	1,648	2,347	109,316	1,639	1,048	115,998	1,079	255	1,334	117,332
Cleaning	57,093	57,093	-	-	-	114,186	-	-	-	114,186
Client support	-	62,598	32,770	-	-	95,368	-	-	-	95,368
Insurance	10,468	13,071	11,536	8,125	5,224	48,424	5,053	1,178	6,231	54,655
Miscellaneous	10,034	12,581	11,151	7,854	5,048	46,668	4,895	1,146	6,041	52,709
Office supplies and expense	9,548	11,922	10,522	7,411	4,764	44,167	4,608	1,075	5,683	49,850
Board and staff development	8,646	10,796	9,528	6,711	4,314	39,995	4,173	973	5,146	45,141
Depreciation	7,391	7,981	7,324	4,876	3,320	30,892	3,765	1,616	5,382	36,274
Repairs and maintenance	9,617	9,564	-	-	-	19,181	-	-	-	19,181
Communications	2,712	3,386	2,988	2,105	1,353	12,544	1,309	305	1,614	14,158
Advocacy supplies	-	-	-	-	11,518	11,518	-	-	-	11,518
Uncollectible pledges	-	-	-	-	-	-	-	7,530	7,530	7,530
Loss on disposal of assets	-	-	-	-	-	-	-	6,586	6,586	6,586
Strategic plan implementation	1,197	1,495	1,319	929	597	5,537	578	135	713	6,250
<b>Total expenses</b>	<b>\$ 1,074,266</b>	<b>\$ 1,028,907</b>	<b>\$ 973,113</b>	<b>\$ 548,966</b>	<b>\$ 334,298</b>	<b>\$ 3,959,550</b>	<b>\$ 639,695</b>	<b>\$ 98,537</b>	<b>\$ 738,233</b>	<b>\$ 4,697,783</b>

See independent auditor's report and notes to the financial statements.

# Miriam's Kitchen, Inc.

## Statements of Functional Expenses For the Year Ended September 30, 2017

	Program Services						Supporting Services			Total Program and Supporting Services	
	Meals	Case Management	Miriam's Studio	Permanent Supportive Housing	Outreach	Advocacy	Total Program Services	Development	Administration		Total Supporting Services
Salaries and benefits	\$ 464,404	\$ 728,429	\$ -	\$ 701,954	\$ 508,700	\$ 316,377	\$ 2,719,864	\$ 300,872	\$ 78,921	\$ 379,793	\$ 3,099,657
Professional fees	47,951	75,201	14,327	29,349	12,707	22,745	202,280	19,349	69,714	89,063	291,343
Food and kitchen supplies	192,574	-	-	-	-	-	192,574	-	-	-	192,574
Occupancy	23,874	29,522	13,349	29,329	11,424	20,473	127,971	15,980	4,300	20,280	148,251
Cleaning	42,580	42,580	21,290	-	-	-	106,450	-	-	-	106,450
Program support	-	-	13,898	57,230	35,103	-	106,231	-	-	-	106,231
Financial solicitation	-	-	-	-	-	-	-	97,520	-	97,520	97,520
Office supplies and expense	15,736	16,374	7,183	13,790	5,877	10,367	69,327	7,397	2,008	9,405	78,732
Repairs and maintenance	72,484	2,396	2,396	-	-	-	77,276	-	-	-	77,276
Client support	-	35,087	6,192	23,932	-	-	65,211	-	-	-	65,211
Miscellaneous	7,893	8,193	3,641	6,926	3,249	5,248	35,150	3,442	1,099	4,541	39,691
Board and staff development	7,108	6,972	3,314	5,744	4,310	4,667	32,115	1,417	1,395	2,812	34,927
Uncollectable pledges	-	-	-	-	-	-	-	-	33,480	33,480	33,480
Insurance	6,280	6,534	2,867	5,503	2,345	4,137	27,666	2,952	802	3,754	31,420
Communications	5,399	5,618	2,464	4,731	2,016	3,557	23,785	2,538	689	3,227	27,012
Depreciation	4,152	4,483	432	4,114	2,739	1,865	17,785	2,115	744	2,859	20,644
Strategic plan implementation	3,748	3,899	1,711	3,284	1,399	2,469	16,510	1,762	478	2,240	18,750
Advocacy supplies	-	-	-	-	-	9,667	9,667	-	-	-	9,667
Loss on disposal of assets	359	374	164	315	134	237	1,583	169	46	215	1,798
<b>Total expenses</b>	<b>\$ 894,542</b>	<b>\$ 965,662</b>	<b>\$ 93,228</b>	<b>\$ 886,201</b>	<b>\$ 590,003</b>	<b>\$ 401,809</b>	<b>\$ 3,831,445</b>	<b>\$ 455,513</b>	<b>\$ 193,676</b>	<b>\$ 649,189</b>	<b>\$ 4,480,634</b>

See independent auditor's report and notes to the financial statements.



# Miriam's Kitchen, Inc.

## Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 96,864	\$ 120,381
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	36,274	20,644
Donation of stock	(78,395)	(10,220)
Donation of fixed assets	-	(68,213)
Net realized and unrealized gain on investments	(77,910)	(75,404)
Loss on disposal of fixed assets	6,586	1,798
Change in operating assets:		
Investments held for sale	(5,382)	-
Accounts receivable	114,100	31,251
Pledges receivable	(151,873)	256,256
Prepaid expenses	(2,261)	(10,810)
Inventory	(5,369)	(1,530)
Change in operating liabilities		
Accounts payable	38,793	19,054
Accrued expenses	73,926	(7,065)
Deferred revenue	47,689	(71,990)
Deferred rent	5,053	-
Net cash and cash equivalents provided by operating activities	<u>98,095</u>	<u>204,152</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(62,552)	(24,040)
Proceeds from sale of investments	78,395	10,216
Net disposition of investments	(21,097)	(19,160)
Net cash and cash equivalents used in investing activities	<u>(5,254)</u>	<u>(32,984)</u>
<b>Net change in cash and cash equivalents</b>	92,841	171,168
Cash and cash equivalents, beginning of year	<u>710,362</u>	<u>539,194</u>
Cash and cash equivalents, end of year	<u>\$ 803,203</u>	<u>\$ 710,362</u>

See independent auditor's report and notes to the financial statements.

# Miriam's Kitchen, Inc.

Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies

### *Nature of Business*

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.

### *Basis of Accounting*

The Organization's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they incurred.

### *Cash Equivalents*

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### *Accounts Receivable*

Accounts Receivable are recorded at the amount management expects to collect from outstanding balances. In reviewing receivables, management considers their knowledge of customers and historical activity in establishing an allowance for doubtful accounts. As of September 30, 2018 and 2017, accounts receivable were deemed fully collectible by management.

### *Pledges Receivables*

Pledges receivable represent unconditional promises to give which are recognized as revenue in the period acknowledged. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises. Management determines the allowance for doubtful promises by using historical experience. As of September 30, 2018 and 2017, the balance of allowance for doubtful promises was \$1,982 and \$4,001, respectively.

### *Inventories*

Inventories are stated at the lower cost or market.

### *Property and Equipment*

Property and equipment are recorded at cost, or if donated, the assets are capitalized at the estimated fair value at the date of the receipt. Depreciation is computed on the accelerated method over the estimated useful lives of 5 to 39 years, with no salvage value. The Organization capitalizes all expenditures for property and equipment over \$5,000.

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. 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.

### *Investments*

Investments are recorded at fair value based on quoted market prices. Gains and losses on investments resulting from their measurement at fair value are reported in the statement of activities as increases or decreases in unrestricted net assets.

### *Deferred Revenue*

Deferred Revenue represents funds received in advance for cost reimbursement grants in advance of the revenue being earned.

### *Net Assets*

The Organization complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Organization.
- Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- Permanently restricted net assets represent funds restricted by the donor to be maintained in perpetuity. As September 30, 2018 and 2017, the Organizations did not have any permanently restricted net assets.

The Organizations treats all contributions in which the restrictions are met in the year pledged as unrestricted contributions.

### *Grant Revenue*

Grant Revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or when a unit of service is provided for performance grants. Expenditures under federal awards are subject to review by the grantor, which may result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *In-Kind Contributions*

Contributed goods and services are recorded at their fair value at the date of receipt. For the years ended September 30, 2018 and 2017, the Organization received contributed goods and services of \$241,366 and \$184,959, respectively.

### *Functional Expense Allocation*

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. 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.

### *Estimates*

The preparation of the 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 and 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.

### *Income Taxes*

The Organization is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). No provision for income taxes is recorded for the years ended September 30, 2018 and 2017, as the unrelated business income was immaterial to the financial statements as a whole.

### *Reclassifications*

Certain amounts in 2017 have been reclassified to conform to the 2018 presentation. There was no effect on 2017 net assets as a result of these reclassifications.

## 2) Concentration of Credit Risk

The Organization maintains its cash and investment balances at various financial institutions and at times these balances may exceed the federal insured limits. The Organization has not experienced any losses with respect to its cash and investments balances in excess of government provided insurance and management believes that there is no significant concentration of credit risk as a result of maintaining these accounts.

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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### 3) Pledges Receivable

As of September 30, 2018 and 2017, pledges receivable were as follows:

	<u>2018</u>	<u>2017</u>
Receivables in less than one year	\$ 237,647	\$ 122,626
Receivables in one to five years	<u>53,333</u>	<u>18,500</u>
	<u>290,980</u>	<u>141,126</u>
Less: allowance for uncollectible pledges	<u>(1,982)</u>	<u>(4,001)</u>
Total pledges receivable, net	<u><u>\$ 288,998</u></u>	<u><u>\$ 137,125</u></u>

Contributions due in more than one year are not reflected at the present value of the estimated future cash flows as the adjusting discount is considered by management to be immaterial to the financial statements.

### 4) Property and Equipment

The Organization held the following property and equipment at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dining room renovations	\$ 90,781	\$ 90,781
Kitchen equipment	79,719	45,754
Kitchen renovations	86,697	86,697
Office equipment	57,032	57,032
Van	<u>22,454</u>	<u>22,454</u>
	336,683	302,718
Less: accumulated depreciation	<u>(185,268)</u>	<u>(170,995)</u>
Property and equipment, net	<u><u>\$ 151,415</u></u>	<u><u>\$ 131,723</u></u>

Depreciation expense for the years ending September 30, 2018 and 2017, was \$36,274 and \$20,644, respectively.

### 5) Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, [*Fair Value Measurements and Disclosure*]. The framework 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 under FASB ASC 820 are described as follows:

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 5) Fair Value Measurements (Continued)

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Miriam's Kitchen has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correction or other means.

If the asset or liabilities has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any inputs that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodology used for assets measured at fair value is noted below. There have been no changes in the methodology used at September 30, 2018 and 2017.

### ***Mutual Funds***

Valued at quoted market prices in an active exchange market.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Miriam's Kitchen believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Miriam's Kitchen assets at fair value as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 997,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,614</u>

The following table sets forth by level, within the fair value hierarchy, Miriam's Kitchen assets at fair value as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 898,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 898,606</u>

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 6) Related-Party Transactions

During the years ended September 30, 2018 and 2017, the Organization received contributions of \$108,857 and \$88,294, respectively, from board and staff members of the Organization.

## 7) Retirement Plan

In January 2017, the Board of Directors authorized the establishment of a defined contribution 403(b) Plan. The Plan name is the Miriam's Kitchen 403(b) 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 a discretionary portion of their salaries after 6 months of consecutive service. Total employer contributions for the year ended September 30, 2018 and 2017, were \$128,323 and \$124,143, respectively.

## 8) 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 2018, the Organization extended the line for an additional year at an annual interest rate of 6.5%.

## 9) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30, 2018:

Description	Beginning balance	Additions	Released from restriction	Ending balance
Advocacy	\$ -	\$ 25,000	\$ -	\$ 25,000
Outreach	-	18,500	-	18,500
Kitchen renovations	44,604	-	(44,604)	-
Composting	633	-	(633)	-
Time restricted	137,125	20,000	(137,125)	20,000
	<u>\$ 182,362</u>	<u>\$ 63,500</u>	<u>\$ (182,362)</u>	<u>\$ 63,500</u>

*See independent auditor's report and notes to the financial statements.*

# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 9) Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets consisted of the following at September 30, 2017:

Description	Beginning balance	Additions	Released from restriction	Ending balance
Kitchen renovations	-	73,103	(28,499)	44,604.00
Composting	-	7,000	(6,367)	633.00
Time restricted	393,381	87,664	(343,920)	137,125
	<u>\$ 393,381</u>	<u>\$ 167,767</u>	<u>\$ (378,786)</u>	<u>\$ 182,362</u>

## 10) Permanent Supportive Housing Program

Miriam's Kitchen has an agreement with the D.C. Department of Human Services (DC-DHS) to provide case management services to participants in the District's Permanent Supportive Housing program. Under the agreement, Miriam's Kitchen provides case management supportive services to individuals, with funds available to provide utility and emergency funds to participating clients. Miriam's Kitchen is paid monthly by DC-DHS based on the number of clients served. The agreement has 4 one-year extension options and the Organization has exercised the fourth one-year option through May 22, 2019.

## 11) Outreach Program

In 2016, Miriam's Kitchen entered into an agreement with the D.C. Department of Behavioral Health (DBH) to provide support to the most vulnerable and hard-to-reach people experiencing homelessness through the District's Outreach Program for the period March 15, 2016 through February 18, 2019 for up to \$415,677 per year. Miriam's Kitchen received advanced payments every three months, of which 80% was to be expended before receipt of the next installment. If Miriam's Kitchen did not expend the entire 80% of funds, DBH would deduct any unspent funds from the final advance payment. In May 2018 the grant period was modified for the last year of funding. The grant period was revised to February 19, 2018 through September 29, 2018 and 100% of the funding was received in advance. As of September 30, 2018, Miriam's Kitchen had deferred revenue of \$47,689 which was approved to be carried forward into the next grant period.

## 12) Deferred Rent

The deferred rent balance at September 30, 2018 represents the cumulative difference between the rent expense recorded for financial statement purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rent actually paid under the operating lease agreements. GAAP rent expense is recognized on a straight-line basis, calculated by dividing the total minimum rent to be paid during the term of the leases by the lease terms.

*See independent auditor's report and notes to the financial statements.*



# Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)  
For the Years Ended September 30, 2018 and 2017

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## 12) Deferred Rent (Continued)

An analysis of deferred rent is as follows for the year ended September 30, 2018:

GAAP rent for the year	\$	96,482
Minimum rent actually due and paid for the year		<u>(91,429)</u>
Deferred rent for the year		5,053
Deferred rent balance, beginning of year		<u>-</u>
Deferred rent balance, end of year	\$	<u><u>5,053</u></u>

## 13) Commitments and Contingencies

Western Presbyterian Church (the "Church") provides the use of space to house the Organization's operations. The agreement expires June 21, 2021 with rights to extend for three successive additional periods of one year each. Monthly payments under the lease agreement are \$7,500 and increase 2% annually. In addition, Miriam's Kitchen is to pay an annual capital reserve fee of \$11,200, which increases by \$11,200 in year two and three of the agreement. The Organization also reimburses the church for certain spending costs.

Additionally, Miriam's Kitchen entered into a lease agreement to lease a housing unit to use as office space. The lease commenced January 1, 2018 and ends December 31, 2019. Monthly payments under the lease were \$4,000 for the year ended September 30, 2018.

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

<u>Years ending September 30,</u>	<u>Amount</u>
2019	\$ 155,150
2020	169,059
2021	108,327
	<u>\$ 432,536</u>

## 14) Subsequent events

Management has evaluated subsequent events and transactions subsequent to the financial position date for potential recognition or disclosure through January 31, 2019, the date of the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

*See independent auditor's report and notes to the financial statements.*