

Miriam's Kitchen, Inc.

Financial Statements
For the year ended
September 30, 2014

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, 2014, 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, 2014, 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.

March 23, 2015

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Miriam's Kitchen, Inc.
Statement of Financial Position

September 30,
2014

Assets	
Current assets	
Cash and cash equivalents	\$ 425,641
Accounts receivable	30,910
Pledges receivable (less allowance of \$3,902)	215,173
Prepaid expenses	32,393
Total current assets	704,117
Investments	
Vanguard index and money market funds	1,562,897
Total investments	1,562,897
Property and equipment	
Dining room renovations	90,781
Kitchen equipment	56,546
Office equipment	56,722
Van	22,454
Less: accumulated depreciation	(115,452)
Total property and equipment	111,051
Other assets	
Pledges receivable - long term	373,064
Total other assets	373,064
Total assets	\$ 2,751,129

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 181,336
Total current liabilities	181,336
Net assets	
Unrestricted	1,941,279
Temporarily restricted	628,514
Total net assets	2,569,793
Total liabilities and net assets	\$ 2,751,129

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,
2014

Changes in unrestricted net assets	
Support and revenue	
Cash contributions	\$ 2,591,703
Permanent Supportive Housing Program revenue	15,237
In kind contributions	159,588
Investment income	18,393
Realized and unrealized gains (losses) on investments	62,345
Assets released from restriction	294,763
Total unrestricted support and revenue	3,142,029
Expenses	
Program services	
Meals	770,834
Miriam's studio	295,534
Case management	770,435
Permanent supportive housing	147,248
Advocacy	358,117
Development	584,192
Administration	145,277
Total expenses	3,071,637
Increase in unrestricted net assets	70,392
Changes in temporarily restricted net assets	
Contributions	692,565
Assets released from restriction	(294,763)
Increase in temporarily restricted net assets	397,802
Change in net assets	468,194
Net assets, beginning of year	2,101,599
Net assets, end of year	\$ 2,569,793
Represented by	
Unrestricted	\$ 1,941,279
Temporarily restricted	628,514
Net assets, end of year	\$ 2,569,793

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, 2014**

	Program services							Total
	Meals	Miriam's studio	Case management	Permanent supportive housing	Advocacy	Development	Administration	
Food and kitchen supplies	\$ 176,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,139
Salaries and benefits	414,701	204,609	546,633	98,196	301,198	463,242	114,266	2,142,845
Insurance	5,310	2,812	7,810	3,436	3,749	5,623	2,499	31,239
Office supplies and expense	17,132	9,069	25,192	11,085	12,094	18,140	8,063	100,775
Program support	15,731	19,176	22,120	20,820	11,168	16,716	8,839	114,570
Client support	-	15,279	61,117	-	-	-	-	76,396
Financial solicitation	-	-	-	-	-	52,332	-	52,332
Repairs and maintenance	43,660	2,204	4,537	-	-	-	-	50,401
Professional fees	2,688	1,423	3,636	1,739	1,897	2,846	1,581	15,810
Miscellaneous	11,390	5,863	15,351	8,331	7,514	10,812	5,816	65,077
Occupancy	18,823	7,248	18,769	3,628	8,746	14,260	3,607	75,081
Strategic plan implementation	20	11	30	13	15	22	10	121
Depreciation and amortization	9,560	-	9,560	-	-	199	596	19,915
Advocacy	-	-	-	-	11,736	-	-	11,736
Cleaning	55,680	27,840	55,680	-	-	-	-	139,200
Total expenses	\$ 770,834	\$ 295,534	\$ 770,435	\$ 147,248	\$ 358,117	\$ 584,192	\$ 145,277	\$ 3,071,637

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,
2014

Cash flow provided by operating activities	
Change in net assets	\$ 468,194
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,915
Donation of stock	(3,718)
Gain/loss on investments	(62,345)
(Increase) decrease in operating assets	
Accounts receivable	(28,899)
Pledges receivable	(357,525)
Prepaid expenses	(1,008)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	20,192
Net cash provided by operating activities	54,806
Cash flow (used) by investing activities	
Proceeds from sale of stock	5,675
Acquisition of fixed assets	(52,991)
Net disposition of investments	1,191
Net cash (used) by investing activities	(46,125)
Net increase in cash and cash equivalents	8,681
Cash and cash equivalents, October 1, 2013	416,960
Cash and cash equivalents, September 30, 2014	\$ 425,641

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

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

Note 2

Summary of Significant Accounting Policies

Basis of Accounting

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

Contributed Goods and Services

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

The in-kind contributions for the year ended September 30, 2014 are described below:

	2014
Facility use	\$ 46,534
Food	84,506
Fundraising support	28,548
Total	\$ 159,588

As part of the Mission Possible 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 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, 2014.

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 2014, 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 23, 2015, 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, 2014:

	Unrestricted	In-kind	Total
Foundations	\$ 687,840	\$ -	\$ 687,840
Church community	-	46,534	46,534
Corporation/other organizations	671,730	113,054	784,784
Individuals	1,184,369	-	1,184,369
Government	47,764	-	47,764
Total contributions	\$ 2,591,703	\$ 159,588	\$ 2,751,291

For the year ended September 30, 2014, \$133,843 was received from members of the Board of Directors and staff.

Note 4

Related-Party Transactions

Western Presbyterian Church provides the following forms of direct financial support to the Organization: the free use of space to house the Organization's operations, certain accounting services, and the use of the church's vehicles. Included in the September 30, 2014 accounts payable is \$38,200 due to the Church for reimbursement for expenses paid.

For the year ended September 30, 2014, the Church made an in-kind contribution of \$46,534.

See accompanying Independent Auditor's Report.

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

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

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, 2014 were \$88,618.

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, 2014:

	Direct pledges	AC and CFC	Total
To be paid in 2015-2016	\$ 553,118	\$ 35,119	\$ 588,237

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:

	2014	
	Cost basis	Fair value
Vanguard Funds	\$ 1,385,393	\$ 1,562,897
Total	\$ 1,385,393	\$ 1,562,897

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.

See accompanying Independent Auditor's Report.

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

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

Fair Value Hierarchy

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

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

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

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

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2014:

	September 30, 2014 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	\$ 705,144	\$ 705,144	\$ -	\$ -
Bond index funds	222,001	222,001	-	-
Growth index fund	169,076	169,076	-	-
Inflation protection security	43,515	43,515	-	-
Small cap index fund	110,202	110,202	-	-
Large cap index fund	15,263	15,263	-	-
Total international stock	83,629	83,629	-	-
Value index fund	170,070	170,070	-	-
Loomis Sayles global fund	43,997	43,997	-	-
Total	\$ 1,562,897	\$ 1,562,897	\$ -	\$ -

Note 8

Accounting for Uncertain Tax Positions

The Organization has adopted ASC 740, Income Taxes. This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The adoption of ASC 740, Income Taxes had no material effect on the Organization's financial position, results of operations, or cash flow. The tax years of 2011 to 2013 remain subject to examination by the taxing authorities.

See accompanying Independent Auditor's Report.

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

The Organization includes penalties and interest assessed by income taxing authorities in administration expenses. The Organization did not recognize expenses for interest or penalties for the year ended September 30, 2014.

Note 9

Line of Credit

On June 12, 2012, the Organization entered into a line of credit agreement with PNC Bank which allows the Organization to draw a maximum of \$100,000 at a rate of 5.5%. The term of the loan is one year from the commencement date or a later date as designated by the bank. The Organization did not draw on the line of credit. In June 2014, the Organization extended the line for an additional year.

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 provides case management to up to 70 individuals, with some funds available to provide utility and emergency funds to participating clients. Miriam's Kitchen is paid monthly based upon an invoice submitted to DC-DHS indicating the number of clients served with documentation for reimbursements. The agreement has 4 option years; the total maximum value of the agreement for the 5 year period is \$2,804,480. During the fiscal year 2014, Miriam's Kitchen began to serve clients in August 2014 and earned \$15,237 in revenue under this contract.