

Miriam's Kitchen

Financial Statements

For the Years Ended September 30, 2019 and 2018



HERTZBACH
certified public accountants • consultants

Miriam's Kitchen, Inc.

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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, 2019 and 2018, 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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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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 3 of the financial statements, during the year ended September 30, 2019, Miriam's Kitchen adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.



Arlington, Virginia
March 27, 2020

Miriam's Kitchen, Inc.

Statements of Financial Position
As of September 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,356,844	\$ 803,202
Investments held for sale	-	5,382
Accounts receivable	98,923	65,468
Pledges receivable, net	199,969	235,665
Inventory	23,402	9,299
Prepaid expenses	83,378	66,909
Total current assets	<u>1,762,516</u>	<u>1,185,925</u>
Property and equipment, net	114,343	151,415
Other assets		
Investments	334,008	997,614
Pledges receivable, net of current portion	35,000	53,333
Deposits	4,300	2,800
Total other assets	<u>373,308</u>	<u>1,053,747</u>
Total assets	<u>\$ 2,250,167</u>	<u>\$ 2,391,087</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 106,051	\$ 99,028
Accrued expenses	332,862	284,257
Deferred revenue	2,200	47,689
Deferred rent, current portion	4,447	300
Total current liabilities	<u>445,560</u>	<u>431,274</u>
Long-term liabilities		
Deferred rent, net of current portion	9,968	4,753
Total liabilities	<u>455,528</u>	<u>436,027</u>
Net assets		
Without donor restrictions	1,759,639	1,891,560
With donor restrictions	35,000	63,500
Total net assets	<u>1,794,639</u>	<u>1,955,060</u>
Total liabilities and net assets	<u>\$ 2,250,167</u>	<u>\$ 2,391,087</u>

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

Miriam's Kitchen, Inc.

Statements of Activities

For the Years Ended September 30, 2019 and 2018

	2019	2018
Revenue and support without donor restrictions		
Contributions	\$ 3,529,372	\$ 3,113,647
Governmental revenue	1,385,647	1,263,369
In-kind contributions	332,220	241,366
Dividends and interest	33,616	31,050
Net realized and unrealized (loss) gain on investments	(5,742)	77,910
Miscellaneous income	5,090	3,805
Net assets released from restriction	43,500	182,362
	<u>5,323,703</u>	<u>4,913,509</u>
Expenses		
Program services:		
Meals	1,261,255	1,074,266
Social services	980,029	1,028,907
Permanent supportive housing	1,201,519	973,113
Outreach	736,851	548,966
Advocacy	460,677	334,298
	<u>4,640,331</u>	<u>3,959,550</u>
Supporting services:		
Development	669,216	639,695
Administration	146,077	98,538
	<u>815,293</u>	<u>738,233</u>
Total expenses	<u>5,455,624</u>	<u>4,697,783</u>
Change in net assets without donor restrictions	<u>(131,921)</u>	<u>215,726</u>
Net assets with donor restrictions		
Contributions	15,000	63,500
Net assets released from restriction	(43,500)	(182,362)
	<u>(28,500)</u>	<u>(118,862)</u>
Change in net assets	(160,421)	96,864
Net assets, beginning of year	1,955,060	1,858,196
Net assets, end of year	<u>\$ 1,794,639</u>	<u>\$ 1,955,060</u>

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

Miriam's Kitchen, Inc.

Statement of Functional Expenses For the Year Ended September 30, 2019

	Program services					Total program services	Supporting services		Total supporting services	Total program and supporting services
	Meals	Social services	Permanent supportive housing	Outreach	Advocacy		Development	Administration		
Salaries and benefits	\$ 558,245	\$ 703,701	\$ 992,031	\$ 610,118	\$ 393,752	\$ 3,257,847	\$ 359,360	\$ 92,424	\$ 451,784	\$ 3,709,631
Food and kitchen supplies	459,804	-	-	-	-	459,804	-	-	-	459,804
Occupancy	33,630	47,910	47,635	33,461	21,378	184,014	22,033	5,197	27,230	211,244
Professional fees	21,794	36,902	13,338	9,420	6,104	87,558	86,334	33,853	120,187	207,745
Financial solicitation	-	-	-	-	-	-	178,586	-	178,586	178,586
Program support	150	213	61,587	48,454	16,063	126,467	98	23	121	126,588
Cleaning	53,931	53,931	-	-	-	107,862	-	-	-	107,862
Client support	-	70,979	36,205	-	-	107,184	-	-	-	107,184
Repairs and maintenance	86,718	11,171	-	-	-	97,889	-	-	-	97,889
Office supplies and expense	14,935	18,865	16,507	11,791	7,861	69,959	7,074	1,572	8,646	78,605
Board and staff development	9,865	12,461	10,904	7,789	5,192	46,211	4,673	1,039	5,712	51,923
Miscellaneous	8,804	11,176	9,837	7,021	4,671	41,509	4,232	943	5,175	46,684
Depreciation	8,575	6,652	8,166	5,005	3,128	31,526	4,551	995	5,546	37,072
Insurance	2,601	3,285	2,874	2,053	1,369	12,182	1,232	274	1,506	13,688
Communications	2,203	2,783	2,435	1,739	1,159	10,319	1,043	232	1,275	11,594
Uncollectible pledges	-	-	-	-	-	-	-	9,525	9,525	9,525
Total expenses	\$ 1,261,255	\$ 980,029	\$ 1,201,519	\$ 736,851	\$ 460,677	\$ 4,640,331	\$ 669,216	\$ 146,077	\$ 815,293	\$ 5,455,624

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Miriam's Kitchen, Inc.

Statement of Functional Expenses For the Year Ended September 30, 2018

	Program services					Total program services	Supporting services		Total supporting services	Total program and supporting services
	Meals	Social services	Permanent supportive housing	Outreach	Advocacy		Development	Administration		
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	1,617	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
Total expenses	\$ 1,074,266	\$ 1,028,907	\$ 973,113	\$ 548,966	\$ 334,298	\$ 3,959,550	\$ 639,695	\$ 98,538	\$ 738,233	\$ 4,697,783

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (160,421)	\$ 96,864
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation	37,072	36,274
Donation of stock	(83,541)	(78,395)
Net realized and unrealized loss (gain) on investments	5,742	(77,910)
Loss on disposal of fixed assets	-	6,586
Change in operating assets:		
Accounts receivable	(33,455)	114,100
Pledges receivable, net	54,029	(151,873)
Prepaid expenses	(16,469)	(2,261)
Inventory	(14,103)	(5,369)
Deposits	(1,500)	-
Change in operating liabilities:		
Accounts payable	7,023	38,793
Accrued expenses	48,605	73,926
Deferred revenue	(45,489)	47,689
Deferred rent	9,362	5,053
Net cash and cash equivalents (used in) provided by operating activities	<u>(193,145)</u>	<u>103,477</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(62,552)
Proceeds from sale of donated stock	83,541	78,395
Net disposition (acquisition) of investments	663,246	(26,479)
Net cash and cash equivalents provided by (used in) investing activities	<u>746,787</u>	<u>(10,636)</u>
Net change in cash and cash equivalents	553,642	92,841
Cash and cash equivalents, beginning of year	<u>803,202</u>	<u>710,361</u>
Cash and cash equivalents, end of year	<u>\$ 1,356,844</u>	<u>\$ 803,202</u>

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Miriam's Kitchen, Inc.

Notes to the Financial Statements
For the Years Ended September 30, 2019 and 2018

1) Nature of Organization

Miriam's Kitchen (the Organization) was founded in 1983 under the laws of the District of Columbia (the District) 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 District's 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 the District. 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.

2) Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and 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, 2019 and 2018, accounts receivable were deemed fully collectible by management.

Pledges Receivable

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, 2019 and 2018, the balance of allowance for doubtful promises was \$6,876 and \$1,982, respectively.

Inventories

Inventories are stated at the lower of 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

Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

2) 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 net assets without donor restrictions.

Deferred Revenue

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

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified in the following two classes:

Net assets without donor restrictions represent funds that are available for support of the operations of the Organization, and that are not subject to donor restrictions.

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. The Organization treats all contributions in which the restrictions are met in the year pledged as net assets without donor restrictions.

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.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

2) Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

Contributed goods are recorded at their fair value at the date of receipt. For the years ended September 30, 2019 and 2018, the Organization received contributed goods of \$332,220 and \$241,366, respectively.

Functional Expense Allocation

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited on the basis of 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, 2019 and 2018, as the unrelated business income was immaterial to the financial statements as a whole.

Reclassifications

Certain amounts in 2018 have been reclassified to conform to the 2019 presentation. There was no effect on 2018 change in net assets as a result of these reclassifications.

3) Accounting Pronouncements Adopted

In 2019, the Organization adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

The Organization's September 30, 2018 net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's September 30, 2018 net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets as of September 30, 2018.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

4) Concentrations of Risk

Financial Institutions

The Organization maintains its cash 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 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.

Market Risk

The Organization maintains investment balances at a financial institution. The Organization is exposed to securities price risk in quoted shares classified at fair value. The Organization diversifies its portfolio for the purposes of minimizing exposure in this area and management believes the decline in value of the investments subsequent to the year-end is temporary.

5) Pledges Receivable

As of September 30, 2019 and 2018, pledges receivable were as follows:

	2019	2018
Receivables in less than one year	\$ 206,845	\$ 237,647
Receivables in one to five years	35,000	53,333
	<u>241,845</u>	<u>290,980</u>
Less: allowance for uncollectible pledges	<u>(6,876)</u>	<u>(1,982)</u>
Total pledges receivable, net	<u>\$ 234,969</u>	<u>\$ 288,998</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.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

6) Property and Equipment

The Organization held the following property and equipment at September 30, 2019 and 2018:

	2019	2018
Dining room renovations	\$ 90,781	\$ 90,781
Kitchen equipment	79,719	79,719
Kitchen renovations	86,697	86,697
Office equipment	48,112	57,032
Van	22,454	22,454
	327,763	336,683
Less: accumulated depreciation	(213,420)	(185,268)
Property and equipment, net	\$ 114,343	\$ 151,415

Depreciation expense for the years ending September 30, 2019 and 2018, was \$37,072 and \$36,274, respectively.

7) Investments and 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:

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.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

7) Investments and Fair Value Measurements (Continued)

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, 2019 and 2018.

Mutual Funds

Valued at quoted market prices in an exchange and active 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 334,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,008</u>

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

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

8) Related-Party Transactions

During the years ended September 30, 2019 and 2018, the Organization received contributions of \$112,253 and \$108,857, respectively, from board and staff members of the Organization.

9) Retirement Plan

In January 2017, the Board of Directors authorized the establishment of a defined contribution 403(b) Plan. All permanent employees who work over 20 hours a week are eligible to make elective deferrals. In addition, employees are eligible and to receive employer matching contributions equal to a discretionary portion of their salaries after 6 months of consecutive service. Total employer contributions for the year ended September 30, 2019 and 2018, were \$144,590 and \$128,323, respectively.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

10) 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. In July 2019, the Organization extended the line for an additional year at an annual interest rate of 6.5%. The Organization did not draw on the line of credit.

11) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at September 30, 2019:

Description	Beginning balance	Additions	Released from restriction	Ending balance
Advocacy	\$ 25,000	\$ -	\$ (25,000)	\$ -
Outreach	18,500	-	(18,500)	-
Time restricted	20,000	15,000	-	35,000
	<u>\$ 63,500</u>	<u>\$ 15,000</u>	<u>\$ (43,500)</u>	<u>\$ 35,000</u>

Net assets with donor restrictions 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>

12) Business Risk Factor

The Organization could potentially be affected by natural disasters, public health crisis, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

13) Governmental Revenue

Permanent Supportive Housing Program

Miriam's Kitchen has an agreement with the District's 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, as modified, through July 31, 2019. During the year ended September 30, 2019, Miriam's Kitchen received a three-month extension through September 30, 2019. Additionally, a new agreement was entered into under this program for the period June 1, 2019 through May 31, 2020. During the years ended September 31, 2019 and 2018, Miriam's Kitchen recognized revenue of \$994,052 and \$868,605, respectively.

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. During the year ended September 30, 2019, the grant period was revised to provide additional funding of \$45,651 through September 29, 2019. During the years ended September 30, 2019 and 2018, Miriam's Kitchen recognized revenue of \$295,445 and \$394,764, respectively.

SOAR Program

In 2018, Miriam's Kitchen entered into an agreement with DBH to increase access to the supplemental security income / social security disability income benefit programs provided to individuals within the District for the period September 20, 2018 through September 27, 2019 for up to \$98,350 per year. During the year ended September 30, 2019 the period of performance for the agreement was extended through March 31, 2020. During the year ended September 30, 2019, Miriam's Kitchen recognized revenue of \$96,150 of revenue.

14) Deferred Rent

Deferred rent 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.

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

14) Deferred Rent (Continued)

An analysis of deferred rent is as follows for the year ended September 30, 2019:

GAAP rent for the year	\$ 164,512
Minimum rent actually due and paid for the year	<u>(155,150)</u>
Deferred rent for the year	9,362
Deferred rent balance, beginning of year	<u>5,053</u>
Deferred rent balance, end of year	<u><u>\$ 14,415</u></u>

15) 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 operating 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, 2020. Monthly payments under the lease agreements are \$4,000 and increased to \$4,300 on January 1, 2019.

Future minimum occupancy payments as of September 30, 2019 are as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2020	\$ 169,059
2021	<u>108,327</u>
	<u><u>\$ 277,386</u></u>

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Miriam's Kitchen, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended September 30, 2019 and 2018

16) Liquidity Analysis

The following reflects the Organization's financial assets as of September 30, 2019.

Financial assets as of September 30, 2019

Cash and cash equivalents	\$ 1,356,844
Accounts receivable, net	98,923
Pledges receivable	199,969
Investments	<u>334,008</u>
Total financial assets	1,989,744

Less those unavailable for general expenditure
within one year due to:

Time restricted net assets in excess of one year	<u>(15,000)</u>
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Financial assets available to meet cash needs
for general expenditure within one year

\$ 1,974,744

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$100,000, which it could draw upon. The organization has no debt on the statement of financial position and typically pays its obligations using cash. As of September 30, 2019, the Organization has financial assets equal to approximately 4 months of operating expenses.

17) Subsequent events

Management has evaluated subsequent events and transactions subsequent to the financial position date for potential recognition or disclosure through March 27, 2020, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

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