

MIRIAM'S KITCHEN, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2022 AND 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Miriam's Kitchen, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miriam's Kitchen, Inc. as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Miriam's Kitchen, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Miriam's Kitchen, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Miriam's Kitchen, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Miriam's Kitchen, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended September 30, 2022, Miriam's Kitchen, Inc. adopted new accounting guidance: Accounting Standards Update 2016-02, *Leases*, and Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.



Columbia, MD
January 25, 2023

MIRIAM'S KITCHEN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,886,172	\$ 4,378,484
Grants receivable	1,431,422	398,905
Pledges receivable, current portion	389,023	262,600
Prepaid expenses	157,107	107,933
Inventory	3,400	1,800
Total Current Assets	5,867,124	5,149,722
PROPERTY AND EQUIPMENT, NET	563,625	376,548
OTHER ASSETS		
Investments	360,600	439,224
Pledges receivable, net of current portion, allowance and discount	39,828	15,000
Deposits	13,600	4,300
Right-of-use asset - operating lease	769,462	9,051
Total Other Assets	1,183,490	467,575
TOTAL ASSETS	\$ 7,614,239	\$ 5,993,845
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 179,176	\$ 292,353
Accrued expenses	528,318	472,614
Refundable advances	-	2,350
Deferred grant revenue	358,372	-
Lease liabilities - operating, current portion	275,417	18,719
Total Current Liabilities	1,341,283	786,036
LONG-TERM LIABILITIES		
Lease liabilities - operating, net of current portion	499,227	-
Total Long-Term Liabilities	499,227	-
TOTAL LIABILITIES	1,840,510	786,036
NET ASSETS		
Without donor restrictions - undesignated	5,341,239	5,197,809
Without donor restrictions - Board designated	371,000	-
With donor restrictions	61,490	10,000
Total Net Assets	5,773,729	5,207,809
TOTAL LIABILITIES AND NET ASSETS	\$ 7,614,239	\$ 5,993,845

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 5,554,468	\$ 98,600	\$ 5,653,068
Government grants	3,755,085	-	3,755,085
Donated supplies and equipment	524,783	-	524,783
Donated legal services	18,864	-	18,864
Donated auction items	15,704	-	15,704
Investment loss, net	(49,652)	-	(49,652)
Miscellaneous income	5,005	-	5,005
Net assets released from restrictions	47,110	(47,110)	-
Total Revenue And Support	<u>9,871,367</u>	<u>51,490</u>	<u>9,922,857</u>
EXPENSES			
Program services:			
Advocacy	521,439	-	521,439
Meals	1,954,386	-	1,954,386
Outreach	1,612,503	-	1,612,503
Permanent Supportive Housing	2,498,616	-	2,498,616
Social Services	1,402,260	-	1,402,260
Total Program Services	<u>7,989,204</u>	<u>-</u>	<u>7,989,204</u>
Supporting services:			
Fundraising	659,954	-	659,954
Management and General	707,779	-	707,779
Total Supporting Services	<u>1,367,733</u>	<u>-</u>	<u>1,367,733</u>
Total Expenses	<u>9,356,937</u>	<u>-</u>	<u>9,356,937</u>
CHANGE IN NET ASSETS	514,430	51,490	565,920
NET ASSETS			
Beginning of year	<u>5,197,809</u>	<u>10,000</u>	<u>5,207,809</u>
End of year	<u>\$ 5,712,239</u>	<u>\$ 61,490</u>	<u>\$ 5,773,729</u>

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 4,666,535	\$ -	\$ 4,666,535
Government grants	2,612,586	-	2,612,586
Forgiveness of PPP loan	728,200	-	728,200
Donated supplies and equipment	171,735	-	171,735
Donated legal services	8,923	-	8,923
Investment income, net	70,859	-	70,859
Miscellaneous income	6,125	-	6,125
Net assets released from restrictions	45,000	(45,000)	-
Total Revenue And Support	8,309,963	(45,000)	8,264,963
EXPENSES			
Program services:			
Advocacy	548,381	-	548,381
Meals	1,477,699	-	1,477,699
Outreach	1,026,462	-	1,026,462
Permanent Supportive Housing	1,562,041	-	1,562,041
Social Services	1,238,400	-	1,238,400
Total Program Services	5,852,983	-	5,852,983
Supporting services:			
Fundraising	549,622	-	549,622
Management and General	725,671	-	725,671
Total Supporting Services	1,275,293	-	1,275,293
Total Expenses	7,128,276	-	7,128,276
CHANGE IN NET ASSETS	1,181,687	(45,000)	1,136,687
NET ASSETS			
Beginning of year	4,016,122	55,000	4,071,122
End of year	<u>\$ 5,197,809</u>	<u>\$ 10,000</u>	<u>\$ 5,207,809</u>

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services					Supporting Services				Total Expenses
	Advocacy	Meals	Outreach	Permanent Supportive Housing	Social Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Payroll and related expenses:										
Salaries	\$ 319,822	\$ 562,272	\$ 940,062	\$ 1,553,224	\$ 756,420	\$ 4,131,800	\$ 263,391	\$ 304,411	\$ 567,802	\$ 4,699,602
Employee benefits	49,508	87,039	145,520	240,436	117,092	639,595	40,772	47,122	87,894	727,489
Payroll taxes	26,617	46,795	78,237	129,267	62,953	343,869	21,921	25,334	47,255	391,124
Retirement expense	15,162	26,656	44,566	73,635	35,860	195,879	12,487	14,432	26,919	222,798
Total Payroll And Related Expenses	411,109	722,762	1,208,385	1,996,562	972,325	5,311,143	338,571	391,299	729,870	6,041,013
Accounting and audit	-	-	-	-	-	-	-	77,689	77,689	77,689
Bad debt expense	-	-	-	-	-	-	-	27,737	27,737	27,737
Bank & merchant fees	-	-	-	-	-	-	-	70,031	70,031	70,031
Cleaning and janitorial	-	39,000	-	-	39,000	78,000	-	-	-	78,000
Communications	2,851	5,013	8,381	13,848	6,744	36,837	2,348	920	3,268	40,105
Depreciation	-	-	-	-	-	-	-	56,750	56,750	56,750
Donated legal services	-	-	-	-	-	-	-	18,864	18,864	18,864
Donated supplies and equipment	-	524,783	-	-	-	524,783	-	-	-	524,783
Fundraising	-	-	-	-	-	-	234,473	-	234,473	234,473
Insurance	4,289	7,541	12,608	20,832	10,145	55,415	3,533	4,083	7,616	63,031
Meals & kitchen supplies	-	400,182	-	-	-	400,182	-	-	-	400,182
Miscellaneous expense	1,141	1,812	3,113	5,066	2,605	13,737	985	842	1,827	15,564
Occupancy	19,696	34,626	57,892	95,652	46,583	254,449	16,220	18,747	34,967	289,416
Office supplies & expense	7,637	13,427	22,449	37,091	18,064	98,668	6,290	7,270	13,560	112,228
Program support - direct	-	-	-	49,085	144,285	193,370	-	-	-	193,370
Program support - other	21,254	1,791	199,069	114,254	2,409	338,777	839	969	1,808	340,585
Professional fees	43,014	61,041	69,896	115,485	125,521	414,957	48,091	22,634	70,725	485,682
Repairs and maintenance	-	124,040	-	-	9,868	133,908	-	-	-	133,908
Staff training and development	10,448	18,368	30,710	50,741	24,711	134,978	8,604	9,944	18,548	153,526
Total Expenses	\$ 521,439	\$ 1,954,386	\$ 1,612,503	\$ 2,498,616	\$ 1,402,260	\$ 7,989,204	\$ 659,954	\$ 707,779	\$ 1,367,733	\$ 9,356,937

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services					Supporting Services				Total Expenses
	Advocacy	Meals	Outreach	Permanent Supportive Housing	Social Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Payroll and related expenses:										
Salaries	\$ 334,626	\$ 554,972	\$ 633,307	\$ 991,962	\$ 580,999	\$ 3,095,866	\$ 276,591	\$ 340,902	\$ 617,493	\$ 3,713,359
Employee benefits	51,423	85,284	97,322	152,437	89,283	475,749	42,504	52,386	94,890	570,639
Payroll taxes	27,710	45,957	52,443	82,143	48,112	256,365	22,904	28,230	51,134	307,499
Retirement expense	16,443	27,271	31,120	48,744	28,550	152,128	13,591	16,752	30,343	182,471
Total Payroll And Related Expenses	430,202	713,484	814,192	1,275,286	746,944	3,980,108	355,590	438,270	793,860	4,773,968
Accounting and audit	-	-	-	-	-	-	-	52,924	52,924	52,924
Bad debt expense	-	-	-	-	-	-	-	12,604	12,604	12,604
Bank & merchant fees	-	-	-	-	-	-	-	59,385	59,385	59,385
Cleaning and janitorial	-	99,218	-	-	99,219	198,437	-	-	-	198,437
Communications	-	-	-	-	-	-	-	29,316	29,316	29,316
Depreciation	1,391	3,739	2,611	3,963	3,141	14,845	1,425	1,677	3,102	17,947
Donated legal services	-	-	-	-	-	-	-	8,923	8,923	8,923
Donated supplies and equipment	-	171,735	-	-	-	171,735	-	-	-	171,735
Fundraising	-	-	-	-	-	-	145,589	-	145,589	145,589
Insurance	2,380	5,610	5,859	6,708	5,677	26,234	1,828	3,177	5,005	31,239
Meals & kitchen supplies	-	231,038	-	-	-	231,038	-	-	-	231,038
Miscellaneous expense	4,326	9,724	10,569	12,380	10,183	47,182	3,402	8,373	11,775	58,957
Occupancy	18,634	25,256	45,947	53,178	36,813	179,828	15,862	21,945	37,807	217,635
Office supplies & expense	4,502	10,522	13,655	16,694	10,659	56,032	3,411	5,942	9,353	65,385
Program support - direct	-	-	-	32,575	267,629	300,204	-	-	-	300,204
Program support - other	18,438	776	80,806	100,869	812	201,701	-	-	-	201,701
Professional fees	56,610	60,441	23,533	26,852	19,056	186,492	13,375	67,255	80,630	267,122
Repairs and maintenance	-	118,113	-	-	9,889	128,002	-	-	-	128,002
Staff training and development	11,898	28,043	29,290	33,536	28,378	131,145	9,140	15,880	25,020	156,165
Total Expenses	\$ 548,381	\$ 1,477,699	\$ 1,026,462	\$ 1,562,041	\$ 1,238,400	\$ 5,852,983	\$ 549,622	\$ 725,671	\$ 1,275,293	\$ 7,128,276

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 565,920	\$ 1,136,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,750	17,947
Bad debt expense	27,737	12,604
Forgiveness of debt	-	(728,200)
Donated securities	(84,906)	(118,617)
Net depreciation (appreciation) in fair value of investments	87,743	(62,595)
Decrease (increase) in assets:		
Grants receivable	(1,032,517)	(202,889)
Pledges receivable, net	(178,988)	492,510
Prepaid expenses	(49,174)	(46,474)
Inventory	(1,600)	11,400
Deposits	(9,300)	-
Right-of-use assets - operating leases	(760,411)	-
Increase (decrease) in liabilities:		
Accounts payable	(113,177)	226,960
Accrued expenses	55,704	(63,501)
Refundable advances	(2,350)	(24,500)
Deferred grant revenue	358,372	-
Lease liabilities - operating	755,925	-
Net Cash (Used for) Provided by Operating Activities	(324,272)	651,332
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(243,827)	(304,587)
Purchases of investments	(9,167)	(7,663)
Proceeds from sale of investments	84,954	118,791
Net Cash Used for Investing Activities	(168,040)	(193,459)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(492,312)	457,873
CASH AND CASH EQUIVALENTS, beginning of year	4,378,484	3,920,611
CASH AND CASH EQUIVALENTS, end of year	\$ 3,886,172	\$ 4,378,484

The accompanying notes are an integral part of these financial statements.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM SERVICES

Miriam's Kitchen, Inc. (the "Organization") was founded in 1983 under the laws of the District of Columbia ("DC") with a mission to end chronic homelessness in Washington, DC. The Organization's philosophy begins with dignity – connecting its chronically homeless guests with the highest quality, most nutritious meals in the city. It happens through belonging – the Organization's 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, the Organization advocates for DC's government to make investments in the housing programs that are most proven to end homelessness. Meanwhile, the Organization partners with other service providers and government agencies to change the way homeless services are delivered in DC. 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 need of an individual.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue and related assets are recognized when earned, and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. In accordance with Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of the Organization and changes therein, are classified and reported as follows

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Organization and/or the passage of time, or that must be maintained in perpetuity by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. The Organization treats all contributions in which the restrictions are met in the year pledged as net assets without donor restrictions.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Adoption of New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases*, which is codified as ASC 842. The new standard requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. It establishes a right of use (“ROU”) that requires the lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Organization is required to implement the new standard statements on a modified retrospective basis, and to apply the new standard to all leases existing at the date of initial application. Management elected to use the effective date of October 1, 2021 as the date of initial application and elected the package of practical expedients under ASC 842 whereby an entity need not reassess (1) whether any expired or existing leases are or contain leases, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets. ASU 2020-07 has been implemented in the accompanying financial statements on a retrospective basis, however, there is no effect on net assets in connection with the implementation of ASU 2020-07 as the update only increased presentation and disclosure requirements for the prior year and did not impact amounts recorded.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less, including money market accounts, to be cash equivalents. The Organization has certain bank accounts with financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation’s (“FDIC”) insurance limit of \$250,000. However, the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Grants Receivable – continued

credit evaluation and specific circumstances of the parties involved. As of September 30, 2022 and 2021, management has determined that all significant grants receivable are collectible; therefore, no allowance for doubtful accounts was established. As of the beginning of the year ended September 30, 2021, grants receivable totaled \$196,016.

Pledges Receivable

Unconditional promises to give are recognized in the period received. Conditional promises to give are recognized only when the conditions on which the promises depend are substantially met, in which case, the promises become unconditional. As of September 30, 2022, the balance of the allowance for doubtful pledges was \$12,347. As of September 30, 2021, management determined that all significant pledges receivable are collectible; therefore, no allowance for doubtful pledges was established. As of the beginning of the year ended September 30, 2021, pledges receivable totaled \$782,714.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Dividends are recorded on the ex-dividend date. Interest is recognized when earned. Purchases and sales of investments are reflected on a trade-date basis. Net appreciation or depreciation in fair value of investments is recognized in the statements of activities in the period in which the changes occur.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the same reporting period in which the income and gains are recognized. Donated securities are recorded at fair value on the date of the gift.

Inventory

Inventory is stated at the lower of cost or market, and consists of gift cards for the Organization's clients.

Property and Equipment

Purchased property and equipment are capitalized at cost and are depreciated on the straight-line basis over their estimated useful lives, which range from three to thirty-nine years depending on the type of asset. Donated property and equipment are capitalized at fair value at the date of donation. Expenditures greater than \$500 which increase the asset's useful life are capitalized while repairs and maintenance are generally expensed.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition Policies

Contributions

The Organization recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support. Cash received in excess of revenue recognized is recorded as deferred revenue on the statement of financial position.

Government Grants

Government grant revenue is received primarily from the DC government, including the DC Department of Human Services (“DHS”). These revenues are considered conditional grants with a measurable performance or other barrier and a right of return, and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

The Organization’s government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of September 30, 2022 and 2021, conditional grant revenue approximating \$750,000 and \$1,503,543, respectively, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Supplies and Equipment; Donated Legal Services; Donated Auction Items

The Organization recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated auction items represent items to be sold at an auction event held by the Organization, and are recognized as revenue based on the amount contributed to the Organization when the item is auctioned. In-kind legal services are recognized as revenue based on the number of hours donated multiplied by an hourly rate provided by the attorney. Donated supplies and equipment primarily represent food items donated to the Organization, and are recognized as revenue based on the estimated fair value of the items determined by either a donor statement or from publicly available sources.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Refundable Advances

Refundable advances represent funds received for cost reimbursement grants in advance of the revenue being earned.

Method Used for Allocation of Expenses Between Functional Categories

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include payroll and related expenses, as well as occupancy costs, professional fees, depreciation, office expenses and other general organizational costs which are allocated on the basis of time and effort expended.

Use of Estimates

The preparation 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 certain reported amounts of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE C – INCOME TAXES

The Organization is a 501(c)(3) organization exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. The Organization is, however, subject to tax on business income unrelated to the respective exempt purposes. The Internal Revenue Service (“IRS”) has determined that the Organization is not a private foundation. Since the Organization is a not-for profit organization, exempt for income tax purposes, no income tax provision is reflected in the financial statements. The Organization files information returns as required.

The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Organization’s information returns are subject to examination by the IRS for a period of three years from the date they were filed, except under certain circumstances. The Organization’s information returns for the years ended September 30, 2019 through 2021 are open for IRS examination, although no request has been made as of the date of these financial statements.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization strives to maintain liquid financial assets sufficient to cover at least three months of general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization has a committed line of credit in the amount of \$100,000, which it can draw upon if needed. The Organization also operates with a budget plan and anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects the Organization's financial assets as of September 30, 2022 and 2021 that are available to meet general expenditures within one year of the statement of the financial position date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,886,172	\$ 4,378,484
Grants receivable	1,431,422	398,905
Pledges receivable, current portion	389,023	262,600
Investments	<u>360,600</u>	<u>439,224</u>
Total Financial Assets	6,067,217	5,479,213
Less: Board designated net assets	(371,000)	-
Less: net assets with donor restrictions	<u>(61,490)</u>	<u>(10,000)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 5,634,727</u>	<u>\$ 5,469,213</u>

NOTE E – PLEDGES RECEIVABLE

As of September 30, 2022 and 2021, pledges receivable were as follows:

	<u>2022</u>	<u>2021</u>
Receivables in less than one year	\$ 389,023	\$ 262,600
Receivables in one to five years	<u>64,500</u>	<u>15,000</u>
Total pledges receivable, gross	453,523	277,600
Less: discount for long-term pledges receivable	(12,347)	-
Less: allowance for uncollectible pledges	<u>(12,325)</u>	<u>-</u>
Total pledges receivable, net	<u>\$ 428,851</u>	<u>\$ 277,600</u>

Pledges due in more than one year are reflected at the present value of the estimated future cash flows.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2022 and 2021:

	2022	2021
Dining room renovations	\$ 397,544	\$ 353,840
Kitchen renovations	190,065	86,697
Kitchen equipment	83,732	77,859
Vehicles	41,278	63,982
Office equipment	130,094	38,971
Subtotal	842,713	621,349
Less: accumulated depreciation	(279,088)	(244,801)
Property And Equipment, Net	\$ 563,625	\$ 376,548

During the years ended September 30, 2022 and 2021, the Organization disposed of fully depreciated property and equipment with a cost of \$22,463 and \$11,000, respectively. Depreciation expense for the years ended September 30, 2022 and 2021 was \$56,750 and \$17,947, respectively.

NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value hierarchy. 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 unobservable inputs (Level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC Topic 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active market that the Organization has the ability to access.

Level 1 – Inputs are based on unadjusted quoted prices for identical assets traded in an active market that the Organization has the ability to access.

Level 2 – Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 – Inputs are unobservable and significant to the overall fair value measurement.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued

All of the Organization's investments for the years ended September 30, 2022 and 2021 are in mutual funds. The Organization's investments in mutual funds are based on observable market quotations and are considered Level 1 items.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are 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.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

NOTE H – NOTES PAYABLE

PPP Loan

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. The CARES Act, among other things, appropriated funds for the Small Business Administration's Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment.

On April 15, 2020, the Organization secured \$728,200 with PNC Bank (the "Lender") under the PPP loan program that authorized forgivable loans to small businesses. The loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If not used for the described purpose, the loan is due on April 16, 2022, along with interest calculated at a rate of 1% per annum. As of September 30, 2020, the PPP loan outstanding balance totaled \$728,200. On February 11, 2021, the Organization was notified that the loan had been formally fully forgiven, and therefore, the related loan forgiveness is reflected as revenue in the accompanying statements of activities for the year ended September 30, 2021.

Line of Credit

On June 12, 2012, the Organization entered into a line of credit agreement with PNC Bank ("PNC"), which allows the Organization to draw a maximum of \$100,000. The line of credit originally expired one year from the commencement date or a later date as designated by PNC. In April 2018, the line of credit was amended to remove the expiration date. The line of credit will not expire until it is either converted into a loan by PNC, or terminated by the Organization or PNC. The line of credit bears interest at 5.5% per annum. For the years ended September 30, 2022 and 2021, the Organization did not draw on the line of credit, and the line of credit did not have an outstanding balance.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE I – IN-KIND CONTRIBUTIONS

During the year ended September 30, 2022, the Organization adopted new accounting guidance, Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

The Organization received donated supplies and equipment, mainly food items, in the amount of \$524,783 and \$171,735 for the years ended September 30, 2022 and 2021, respectively. Donated supplies and equipment are based on the estimated fair value of the items determined by either a donor statement or from publicly available sources, and were allocated to program expenses - meals on the statements of functional expenses.

The Organization received donated legal services in the amount of \$18,864 and \$8,923 for the years ended September 30, 2022 and 2021, respectively. Donated legal services are based on an estimated fair value of the hourly market rates for lawyers in the geographical region of the Organization, and were allocated to management and general on the statements of functional expenses.

The Organization received donated auction items to be sold at an auction event held by the Organization, in the amount of \$15,704 and \$0 for the years ended September 30, 2022 and 2021, respectively. Donated auction items are recognized as revenue based on the fair value of the item contributed to the Organization when the item is received.

There were no donor-imposed restrictions on the donated goods or services noted above.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors for the following purposes as of September 30, 2022:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases from restriction</u>	<u>Ending Balance</u>
Time restrictions:				
General operating support	\$ 10,000	\$ -	\$ (10,000)	\$ -
Purpose restrictions:				
Programs for older adults	-	50,000	(12,500)	37,500
Meals - direct expenses	-	48,600	(24,610)	23,990
Total Net Assets with Donor Restrictions	<u>\$ 10,000</u>	<u>\$ 98,600</u>	<u>\$ (47,110)</u>	<u>\$ 61,490</u>

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS – continued

Net assets were restricted by donors for the following purposes as of September 30, 2021:

Description	Beginning Balance	Additions	Releases from restriction	Ending Balance
Time restrictions:				
Permanent supportive housing	\$ 25,000	\$ -	\$ (25,000)	\$ -
General operating support	30,000	-	(20,000)	10,000
Total Net Assets with Donor Restrictions	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 10,000</u>

NOTE K – BOARD-DESIGNATED NET ASSETS

For the years ended September 30, 2022 and 2021, the Organization's Board of Directors has restricted \$371,000 and \$0, respectively, to fund to fund budgeted expenses from reserves.

NOTE L – OPERATING LEASES

During the year ended September 30, 2022, the Organization adopted new accounting guidance, Accounting Standards Update 2016-02, *Leases*.

The Organization entered into a lease agreement with Western Presbyterian Church (the "Church") to provide the use of space to house the Organization's operations. The agreement began June 21, 2018 and was set to expire on June 21, 2021, with a right to extend for three successive additional periods of one year each. The Organization exercised its option to extend the lease to June 21, 2022. Monthly payments under the lease were \$7,500 and increase 2% annually. In addition, the Organization 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. The lease was terminated by mutual agreement on December 31, 2021.

On January 1, 2022, the Organization entered into a lease agreement with the Church for the same premises as above. The agreement expires on December 31, 2025, with a right to extend for three successive additional periods of one year each. Monthly payments under the lease are as follows:

- \$7,667 for operation of the leased premises, increasing 2% annually,
- \$3,833 for ongoing service and maintenance contracts, increasing 2% annually, and
- \$2,917 for capital improvements and major systems replacements at the lease premises, increasing 5% annually.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE L – OPERATING LEASES – continued

The Organization entered into a lease agreement with Columbia Plaza, an unrelated entity, for office space. The lease was set to expire on December 31, 2021. On December 10, 2021, the Organization amended the lease agreement to extend the lease to December 31, 2024. Monthly payments under the lease agreement are \$6,280 through December 31, 2021, and \$6,782 thereafter until lease termination.

The Organization entered into a second lease agreement with Columbia Plaza for office space. The lease expires on December 31, 2024. Monthly payments under the lease agreement are \$4,300 throughout the lease term.

The present value of the lease payments is calculated using the Organization's incremental borrowing rate, which was determined based on the rate of interest that it would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The weighted average remaining lease term is 2 years, and the weighted average discount rate is 7.75% as of September 30, 2022.

At October 1, 2021, the application date of ASC 842, the Organization measured the lease liability at the present value of the remaining lease payments using a discount rate of 7.75%, and calculated a lease liability of \$18,719. The Organization recognized a right-of-use asset equal to the value of the calculated lease liability of \$18,719, adjusted for the carrying amount of the deferred rent liability of \$9,668.

A reconciliation of the undiscounted cash flows due on the Company's lease liability to the operating lease liability recognized in the balance sheet as of September 30, 2022 is as follows:

2023	\$	309,371
2024		313,988
2025		219,011
2026		46,741
Total undiscounted lease payments		889,111
Less: discount		(114,467)
Lease liabilities, total	\$	774,644

For the years ended September 30, 2022 and 2021, rent expense under these agreements was \$289,416 and \$217,635, respectively.

MIRIAM'S KITCHEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
(continued)

NOTE M – RELATED PARTY TRANSACTIONS

During the years ended September 30, 2022 and 2021, the Organization received \$118,937 and \$97,874 respectively, from its Board members and staff.

NOTE N – RETIREMENT PLAN

In January 2017, the Board of Directors authorized the establishment of the Miriam's Kitchen 403(b) Plan (the "Plan"). The Organization sponsors the Plan, and all permanent employees who work over 20 hours per week are eligible to make elective deferrals. In addition, employees are eligible to receive employer matching contributions equal to a discretionary portion of their salaries after six months of consecutive service. The Organization is permitted, but is not required, to make discretionary matching contributions to the Plan. Total employer matching contributions to the Plan for the years ended September 30, 2022 and 2021, totaled \$222,798 and \$182,471, respectively.

NOTE O – CONCENTRATIONS

The Organization receives significant support from the DC government. For the years ended September 30, 2022 and 2021, approximately 38% and 32% of total revenue, respectively, was provided through grants received from the DC government.

NOTE P – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 25, 2023, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure or recognition.