

# **Ditmars, Perazza & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**Kenneth M. Ditmars, CPA**

Telephone: (609) 265-8698  
Fax: (609) 265-8621

E-mail: [KDIT478@aol.com](mailto:KDIT478@aol.com)

*Office Address*  
12 Oak Tree Court  
Westampton, NJ 08060

*Mailing Address*  
P.O. Box 478  
Rancocas, NJ 08073-0478

March 21, 2013


To the Board of Directors of  
The Cathedral Soup Kitchen, Inc.:

We have audited the financial statements of the Cathedral Soup Kitchen, Inc. for the year ended December 31, 2012, and have issued our report thereon dated March 21, 2013. Professional standards require that we provide you with the information on the attached pages, summarized as follows, related to our audit.

- A. Our Responsibility under U.S. Generally Accepted Auditing Standards
- B. Qualitative Aspects of Accounting Practices
- C. Difficulties Encountered in Performing the Audit
- D. Disagreements with Management
- E. Corrected or Uncorrected Misstatements
- F. Management Representations
- G. Management Consultations with Other Independent Accountants
- H. Other Audit Findings or Issues

The information is intended solely for the use of those charged with Governance and management of the Cathedral Soup Kitchen, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

  
Ditmars, Perazza & Co., LLP

# Cathedral Kitchen

## Required Communications

A. Our Responsibility Under U.S. Generally Accepted Auditing Standards	As stated in our engagement letter our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.
B. Qualitative Aspects of Accounting Practices	<p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the organization are described in the footnotes to the financial statements. No new accounting policies were adopted and the application of existing accounting policies were not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates in your financial statements.</p>
C. Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing or completing our audit.
D. Disagreements with Management	For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements for the auditors report. We are pleased to report that that no such disagreement arose during the course of the audit.

E. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to management. The following misstatements detected as a result of audit procedures were corrected by management.

Uncorrected Misstatements - None

Corrected Misstatements - We assisted you in making several minor journal entries

F.. Management Representations

We have requested certain representations from management that are included in the management representation letter.

G. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

H. Other Audit Findings or Issues

We have no other audit findings to report to you.

**Cathedral Soup Kitchen, Inc.  
Financial Statements  
For the Year Ended  
December 31, 2012  
And Independent Auditors' Report**

# **Ditmars, Perazza & Co., LLP**

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E-mail: [KDIT478@aol.com](mailto:KDIT478@aol.com)

*Office Address*

12 Oak Tree Court  
Westampton, NJ 08060

*Mailing Address*

P.O. Box 478  
Rancocas, NJ 08073-0478

## **Independent Auditor's Report**

To the Board of Directors of the  
Cathedral Soup Kitchen, Inc.

March 21, 2013

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Cathedral Soup Kitchen, Inc. , which comprise the statement of financial position as of December 31, 2012, and the related statements of activities of functional expenses and of cash flows for the year then ended, and the related notes of 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 the 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 organization'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 organization'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.

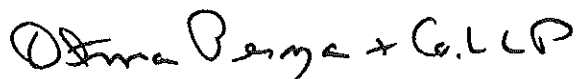
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cathedral Soup Kitchen, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year that ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Cathedral Soup Kitchen Inc.'s 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Ditmars Perazza & Co. LLP". The signature is written in a cursive, flowing style.

Ditmars, Perazza & Co., LLP

**Cathedral Soup Kitchen, Inc.**  
**Statement of Financial Position**  
**December 31, 2012**  
**(With Summarized Totals For 2011)**

<b>Assets:</b>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 417,257	\$ 235,985
Cash in the bank - reserved for capital improvements	175,000	175,000
Grants receivable - operations	159,315	37,829
Accounts receivable	18,349	11,750
Food inventory	730	2,549
<b>Total Assets</b>	<u>770,651</u>	<u>463,113</u>
Property & equipment:		
Building costs - 1514 Federal Street, Camden	3,910,314	3,910,314
Land - 1514 Federal Street, Camden	71,078	71,078
Furniture & equipment	354,162	354,162
New Building deposit	5,000	
Less: accumulated depreciation	(665,822)	(504,747)
<b>Total Property &amp; Equipment - Net</b>	<u>3,674,732</u>	<u>3,830,807</u>
<b>Total Assets</b>	<u><u>\$ 4,445,383</u></u>	<u><u>\$ 4,293,920</u></u>
<b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable	\$ 38,355	\$ 11,330
Refundable advances	-	30,000
Refundable advances - grants	48,167	16,873
Construction loan - PNC Bank		
Current	8,949	8,513
Long Term	239,063	252,462
<b>Total Liabilities</b>	<u>334,534</u>	<u>319,178</u>
Net Assets:		
Unrestricted	684,129	404,910
Unrestricted - invested in property & equipment	3,426,720	3,569,832
<b>Total Unrestricted Net Assets</b>	<u>4,110,849</u>	<u>3,974,742</u>
Temporarily restricted	-	-
<b>Total Net Assets</b>	<u>4,110,849</u>	<u>3,974,742</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,445,383</u></u>	<u><u>\$ 4,293,920</u></u>

*See the Notes to the Financial Statements.*

**Cathedral Soup Kitchen, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**  
**(With Summarized Totals For 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Operating Revenue And Support:</b>				
Contributions	\$ 386,217		\$ 386,217	\$ 259,340
Grants - governmental	103,233		103,233	100,200
Grants - other	216,666	\$ 321,372	538,038	446,848
Special events - net of expenses	81,988		81,988	64,351
Program income - contracted & contract	252,810		252,810	57,369
Program income - dental program	11,435		11,435	11,955
Interest and other income	3,597		3,597	2,822
Net assets released from restrictions	321,372	(321,372)		
<b>Total Operating Revenue And Support</b>	<u>1,377,318</u>	<u>-</u>	<u>1,377,318</u>	<u>942,885</u>
<b>Operating Expenses:</b>				
Program Services				
Operating Expenses - Cash	852,199		852,199	670,963
Operating Expenses - Depreciation	149,800		149,800	149,800
Supporting Services				
Operating Expenses - Cash	217,273		217,273	207,219
Operating Expenses - Depreciation	11,275		11,275	11,275
<i>(See Footnote # 6 for calculation of overhead percentage)</i>				
<b>Total Operating Expenses</b>	<u>1,230,547</u>		<u>1,230,547</u>	<u>1,039,257</u>
<b>Change in Net Assets From Operations</b>	<u>146,771</u>		<u>146,771</u>	<u>(96,372)</u>
<b>Other Changes:</b>				
Capital expenditures	(10,664)		(10,664)	(15,434)
<b>Total Other Changes</b>	<u>(10,664)</u>	<u>-</u>	<u>(10,664)</u>	<u>(15,434)</u>
<b>Change in Net Assets</b>	136,107		136,107	(111,806)
<b>Net Assets, Beginning of Year</b>	3,974,742	-	3,974,742	4,086,548
<b>Net Assets, End of Year</b>	<u>\$ 4,110,849</u>	<u>\$ -</u>	<u>\$ 4,110,849</u>	<u>\$ 3,974,742</u>

*See the Notes to the Financial Statements.*



**Cathedral Soup Kitchen, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

**Cash Flows from Operating Activities:**

Change in net assets	\$ 136,107
Add - depreciation	161,075
Increase in grants receivable	(128,085)
Decrease in food inventory	1,819
Increase in accounts payable	27,025
Decrease in deferred income and refundable advances	1,294
Net cash used in operating activities	<u>199,235</u>

**Cash Flows From Investing Activities:**

Property and equipment purchases	(5,000)
Net cash flow used in investing activities	<u>(5,000)</u>

**Cash Flows from Financing Activities:**

Loan principal payments	(12,963)
Net cash flow used in financing activities	<u>(12,963)</u>

Change in Cash and Cash Equivalents	181,272
Cash and Cash Equivalents, Beginning	235,985
Cash and Cash Equivalents, Ending	<u>\$ 417,257</u>

**Supplemental Information:**

Interest Paid	<u>\$ 19,062</u>
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*See the Notes to the Financial Statements.*

**Cathedral Soup Kitchen, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**  
**(With Summarized Totals For 2011)**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Personnel	\$ 348,506	\$ 127,106	\$ 475,612	\$ 417,633
Employee benefits	16,125	6,496	22,621	13,887
Payroll taxes	33,068	13,323	46,391	39,060
Program supplies & expenses	209,436		209,436	192,811
Catering and contract catering costs	85,345		85,345	3,575
Postage & printing	8,159	8,160	16,319	20,064
Other facility costs, equipment repairs, security, etc.	38,120	9,530	47,650	25,905
Phone, internet and website	4,237	788	5,025	5,296
Trash removal	6,857		6,857	7,328
Office expense and supplies	7,222	1,806	9,028	8,777
Miscellaneous	7,168	1,792	8,960	11,250
Professional services		17,374	17,374	22,603
Service agreement	18,000	2,000	20,000	20,000
Insurance	15,249	3,813	19,062	21,789
Interest	9,550	3,414	12,964	12,717
Development		10,382	10,382	4,186
Utilities	45,157	11,289	56,446	51,301
<b>Total Expenses Before Depreciation</b>	<u>852,199</u>	<u>217,273</u>	<u>1,069,472</u>	<u>878,182</u>
Depreciation	149,800	11,275	161,075	161,075
<b>Total Expenses</b>	<u><u>\$ 1,001,999</u></u>	<u><u>\$ 228,548</u></u>	<u><u>\$ 1,230,547</u></u>	<u><u>\$ 1,039,257</u></u>

*See the Notes to the Financial Statements & Footnote # 6 for the Overhead Ratio Calculation.*

**Cathedral Soup Kitchen, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

**1. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of the Cathedral Soup Kitchen, Inc., (Cathedral Kitchen) a New Jersey not-for-profit corporation.

**Organization**

The Cathedral Kitchen is dedicated to helping people by providing hot nutritious meals and other services, including job training and health services, to the homeless and impoverished in Camden, NJ. There is no charge to the recipients of the services, and there is no requirement that they demonstrate a financial need. The organization is exempt from federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state provisions.

**Basis of Accounting**

The financial statements of the Cathedral Kitchen are presented on the accrual basis of accounting.

**Adoption of the FASB Accounting Standards Codification**

The Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification ("ASC") effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative accounting principles generally accepted in the United States of America ("GAAP") in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The ASC did not have an effect on the Cathedral Kitchen results of operations or financial condition.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under these standards, the Cathedral Kitchen is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Cathedral Kitchen does not have any permanently restricted net assets. As such, this class is not utilized.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Cathedral Kitchen considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2012 consisted of two checking accounts and one savings account.

### **Property and Equipment**

Expenditures for property and equipment are recorded at cost. Donated assets are recorded at their estimated fair market value at the date of donation. Depreciation is provided over the estimated useful lives of respective assets using the straight-line basis.

### **Contributions**

The Cathedral Kitchen accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board.. In accordance with these standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature or any donor restrictions.

### **Donor Imposed Restrictions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

### **Donated Food and Services**

Hundreds of volunteers donate in excess of 13,000 hours of time each year to the Cathedral Kitchen in support of their program. In addition, the Kitchen is also the recipient of thousands of pounds of donated food and other items used in the feeding program. In accordance with generally accepted accounting principles, no amounts have been reflected in the financial statements relating to those donated services and items.

### **Refundable Advances**

The Cathedral Kitchen records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue.

### **Promises to Give**

Unconditional promises to give are recognized as revenues in the period received. There were no outstanding pledges as of December 31, 2012.

### **Income Taxes**

Income taxes are not provided for in the financial statements since the Cathedral Kitchen is exempt from federal and state income taxes. The Cathedral Kitchen is not classified as a private foundation.

In June 2006 the Financial Accounting Standards Board issued FIN 48, Accounting for Uncertainty in Income Taxes, which prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns. FIN 48 is effective for years beginning after December 31, 2008 for nonpublic entities.

The Cathedral Kitchen regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on the Cathedral Kitchen's evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

### **Fair Value Measurements**

The Cathedral Kitchen has adopted the Financial Accounting Standards Board's standards that applies to all assets and liabilities that are being measured and reported on a fair value basis. Under the standards new disclosures are required that establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. The standards enable the reader of the financial statements to access the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

1. Level 1: Quoted market prices in active markets for identical assets or liabilities
2. Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
3. Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaid and payables approximates fair value due to the short maturity of these instruments.

## **2. Subsequent Events**

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establish principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, the Cathedral Kitchen has evaluated subsequent events through March 21, 2013.

On December 20, 2012, Cathedral Kitchen signed an agreement of sale with William Hargrove to purchase a building at 1506 Federal Street, which is located next to its current location. The purchase price for the building is \$ 163,000. In consideration, the Cathedral Kitchen paid a deposit of \$ 5,000 to the title company which will be credited toward the purchase price at settlement. The Cathedral Kitchen plans to develop the property into a training facility and commercial production kitchen.

## **3. Functional Allocation of Expenses**

The expenses are apportioned to program and supporting service functions based on specific or estimated allocations.

## **4. Facilities**

After completing a capital campaign, the Cathedral Kitchen built a new facility at its current location of 1514 Federal Street, which opened in November 2008. The facility houses all of Cathedral Kitchen's programs, including the Monday thru Saturday meal program, Culinary Arts Job Training and the Project Smiles Dental Clinic.

## **5. Mortgage Loan – PNC Bank**

In connection with the construction of the new facility, as discussed in Note 3, the Cathedral Kitchen obtained a construction loan from PNC Bank in the amount of \$2,000,000. On March 1, 2011, the remaining balance payable on the construction loan, in the amount of \$ 270,000, was converted to a permanent mortgage. The new mortgage is payable in monthly installments of \$ 1,786.78 including interest at the rate of 5 %. The loan is for a term of 83 months with the last payment due on February 6, 2018. The real estate on Federal Street is security for the loan. The balance payable at December 31, 2012 is \$ 248,012. The principal maturities for the next five years are as follows:

December 31, 2013	\$ 8,949
December 31, 2014	9,406
December 31, 2015	9,889
December 31, 2016	10,394
December 31, 2017	10,926
December 31, 2018	198,448

## 6. Overhead Ratio Calculation

The overhead ratio is calculated taking into consideration the value of both the donated volunteer labor as well as the value of the donated food.

### Adjusted Program Expenses:

Program Services Expenses	\$ 1,001,999
Value of Donated Volunteer Labor ( 13,578 hrs at \$ 8.00 per hr.)	108,624
Value of Donated Dental Services (355 hours at \$ 170 per hr.)	60,350
Value of Donated Food	200,000
Total Adjusted Program Services Expenses	1,370,973

### Adjusted Total Expenses

Total Adjusted Program Expenses	1,370,973
Total Supporting Expenses	228,548
Total Adjusted Total Expenses	1,599,521
<b>Overhead Ratio Calculation</b>	<b>14.3 %</b>