

Cathedral Soup Kitchen, Inc.
Financial Statements
For the Year Ended
December 31, 2013
And Independent Auditors' Report

Ditmars, Perazza & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

March 27, 2014

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, 2013, 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.

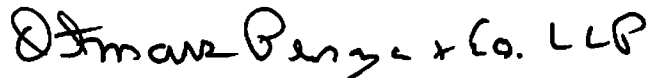
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Ditmars, Perazza & Co., LLP

Cathedral Soup Kitchen, Inc.
Statement of Financial Position
December 31, 2013
(With Summarized Totals For 2012)

Assets:	2013	2012
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 575,738	\$ 417,257
Cash in the bank - reserved for capital improvements	175,000	175,000
Cash in the bank - building fund	345,949	-
Donated securities held for sale	5,973	-
Grants receivable - operations	141,515	159,315
Accounts receivable	20,427	18,349
Other receivables	21,200	-
Promises to give - net of discount of \$ 1,772	167,103	-
Food inventory	1,064	730
Total Assets	1,453,969	770,651
Property & equipment:		
Land and building - 1514 Federal Street	3,981,392	3,981,392
Land and building - 1506 Federal Street	279,462	5,000
Furniture & equipment	354,162	354,162
Less: accumulated depreciation	(826,176)	(665,822)
Total Property & Equipment - Net	3,788,840	3,674,732
Total Assets	\$ 5,242,809	\$ 4,445,383
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 40,092	\$ 38,355
Refundable advances	-	-
Refundable advances - grants	35,000	48,167
Construction loan - PNC Bank		
Current	9,406	8,949
Long Term	226,417	239,063
Total Liabilities	310,915	334,534
Net Assets:		
Unrestricted	696,861	684,129
Unrestricted - invested in property & equipment	3,553,017	3,426,720
Total Unrestricted Net Assets	4,249,878	4,110,849
Temporarily restricted	682,016	-
Total Net Assets	4,931,894	4,110,849
Total Liabilities and Net Assets	\$ 5,242,809	\$ 4,445,383

The accompanying footnotes are an integral part of the financial statements.

Cathedral Soup Kitchen, Inc.
Statement of Activities
For the Year Ended December 31, 2013
(With Summarized Totals For 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Operating Revenue And Support:				
Contributions	\$ 309,116		\$ 309,116	\$ 386,217
Grants - governmental	206,128		206,128	103,233
Grants - other	398,806	\$ 175,000	573,806	538,038
Special events - net of expenses	91,455		91,455	81,988
Program income - contracted & contract	258,107		258,107	252,810
Program income - dental program	8,952		8,952	11,435
Interest and other income	3,107		3,107	3,597
Net assets released from restrictions			-	-
Total Operating Revenue And Support	<u>1,275,671</u>	<u>175,000</u>	<u>1,450,671</u>	<u>1,377,318</u>
Operating Expenses:				
Program Services				
Operating Expenses - Cash	977,737		977,737	852,199
Operating Expenses - Depreciation	149,129		149,129	149,800
Supporting Services				
Operating Expenses - Cash	278,013		278,013	217,273
Operating Expenses - Depreciation	11,225		11,225	11,275
<i>(See Footnote # 8 for calculation of overhead percentage)</i>				
Total Operating Expenses	<u>1,416,104</u>	<u>-</u>	<u>1,416,104</u>	<u>1,230,547</u>
Change in Net Assets From Operations	<u>(140,433)</u>	<u>175,000</u>	<u>34,567</u>	<u>146,771</u>
Non Operating Activities:				
Contributions - Capital Campaign		791,128	791,128	-
Non Capital Expenditures		(4,650)	(4,650)	-
Capital expenditures	279,462	(279,462)		(10,664)
Total Non Operating Activities	<u>279,462</u>	<u>507,016</u>	<u>786,478</u>	<u>(10,664)</u>
Change in Net Assets	139,029	682,016	821,045	136,107
Net Assets, Beginning of Year	4,110,849	-	4,110,849	3,974,742
Net Assets, End of Year	<u>\$ 4,249,878</u>	<u>\$ 682,016</u>	<u>\$ 4,931,894</u>	<u>\$ 4,110,849</u>

The accompanying footnotes are an integral part of the financial statements.

Cathedral Soup Kitchen, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013
(With Summarized Totals For 2012)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Personnel	\$ 394,539	\$ 163,525	\$ 558,064	\$ 475,612
Employee benefits	38,489	15,953	54,442	22,621
Payroll taxes	36,663	15,196	51,859	46,391
Program supplies & expenses	261,303		261,303	209,436
Catering and contract catering costs	92,243		92,243	85,345
Postage & printing	10,353	10,353	20,706	16,319
Other facility costs, equipment repairs, security, etc.	31,233	7,809	39,042	47,650
Phone, internet and website	3,615	905	4,520	5,025
Trash removal	7,719		7,719	6,857
Office expenses	8,944	8,944	17,888	9,028
Miscellaneous		7,697	7,697	8,960
Professional services		18,730	18,730	17,374
Service agreement	18,000	2,000	20,000	20,000
Insurance	22,488	5,622	28,110	19,062
Interest	9,802	2,451	12,253	12,964
Development		8,241	8,241	10,382
Utilities	42,346	10,587	52,933	56,446
Total Expenses Before Depreciation	<u>977,737</u>	<u>278,013</u>	<u>1,255,750</u>	<u>1,069,472</u>
Depreciation	149,129	11,225	160,354	161,075
Total Expenses	<u><u>\$ 1,126,866</u></u>	<u><u>\$ 289,238</u></u>	<u><u>\$ 1,416,104</u></u>	<u><u>\$ 1,230,547</u></u>

The accompanying footnotes are an integral part of the financials statements.
(See Footnote # 8 for calculation of overhead percentage)

Cathedral Soup Kitchen, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:

Change in net assets	\$ 821,045
Add - depreciation	160,354
Increase in donated securities held for sale	(5,973)
Increase in accounts and other receivables	(23,278)
Decrease in grants receivable	17,800
Increase in food inventory	(334)
Increase in accounts payable	1,737
Decrease in deferred income and refundable advances	(13,167)
Net cash provided by operating activities	<u>958,184</u>

Cash Flows From Investing Activities:

Capital expenditures - 1506 Federal Street	(274,462)
Increase in promises to give	(167,103)
Net cash flow used in investing activities	<u>(441,565)</u>

Cash Flows from Financing Activities:

Loan principal payments	(12,189)
Net cash flow used in financing activities	<u>(12,189)</u>
Change in Cash and Cash Equivalents	504,430
Cash and Cash Equivalents, Beginning	592,257
Cash and Cash Equivalents, Ending	<u>\$ 1,096,687</u>

Supplemental Information:

Interest Paid	<u>\$ 12,253</u>
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The accompanying footnotes are an integral part of the financial statements.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2013

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, 2013 consisted of two checking accounts and one money market 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 ranging from 5 to 30 years.

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 14,000 hours of time each year to the Cathedral Kitchen in support of their programs. 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.

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 apply 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, 2014.

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 facility at its current location of 1514 Federal Street, Camden, NJ 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. 1506 Federal Street and Capital Campaign

On April 19, 2013 Cathedral Kitchen purchased a building at 1506 Federal Street, Camden, NJ. The purchase price of the building was \$ 163,000. The planned use of the building is to develop it into a training facility, a commercial production kitchen and a café. Cathedral has commenced a capital campaign to raise funds for the renovation of the property. Promise to give and donations in excess of \$ 790,000 have been received thru December 31, 2013. As of December 31, 2013 the balance of promises to give that were receivable amounted to \$ 168,775. The promises are due as follows:

2014	\$ 137,541
2015	10,667
2016	10,667
2017	10,000

The promises that are due beyond 2014 have been discounted using a present value factor of 3 %. The balance of the discount at December 31, 2013 is \$ 1,772.

The Cathedral Kitchen has commenced planning for the renovation of the property has incurred in excess of \$ 114,000 in costs thru December 31, 2013. The total costs to date amount to \$ 276,462. Construction is expected to commence during the second quarter of 2014.

6. Mortgage Loan – PNC Bank

In connection with the construction of 1514 Federal Street, as discussed in Note 4, 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 a balloon payment due on February 6, 2018. The real estate at 1514 Federal Street is security for the loan. The balance payable at December 31, 2013 is \$ 235,823. The principal maturities for the term of the loan is as follows:

December 31, 2015	\$ 9,889
December 31, 2016	10,394
December 31, 2017	10,926
December 31, 2018	204,614

7. Temporarily Restricted Net Assets

The balance in Temporarily Restricted Net Assets as of December 31, 2013 consist of the following:

Capital Campaign	\$ 507,016
Foundation grants received in advance that are restricted for use in 2014	175,000

Total Temporarily Restricted Net Assets	\$ 682,016

8. Overhead Ratio Calculation

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

Adjusted Program Expenses:

Program Services Expenses	\$ 1,126,866
Value of Donated Volunteer Labor (14,140 hrs. at \$8.25 per hr.)	116,655

Value of Donated Dental Services (380 hrs. at \$170 per hr.)	64,600
Value of Donated Food	200,000

Total Adjusted Program Services Expenses	1,508,121

Adjusted Total Expenses	
Total Adjusted Program Expenses	1,508,121
Total Supporting Expenses	289,238

Total Adjusted Total Expenses	1,797,359

Overhead Ratio Calculation	16.1 %