

Cathedral Soup Kitchen, Inc.
Financial Statements
For the Year Ended
December 31, 2014
And Independent Auditors' Report

Ditmars, Perazza & Co.

CERTIFIED PUBLIC ACCOUNTANT

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

E-mail: KDIT478@aol.com

Kenneth M. Ditmars, CPA

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.

April 29, 2015

Report on Financial Statements

We have audited the accompanying financial statements of the Cathedral Soup Kitchen, Inc. (a NJ not-for-profit corporation) which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ditmars, Perazza & Co.

Cathedral Soup Kitchen, Inc.
Statement of Financial Position
December 31, 2014
(With Summarized Totals For 2013)

Assets:	2014	2013
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 297,958	\$ 575,738
Money Market funds - reserved for future expenditures	175,978	175,000
Cash in the bank - building fund	591,018	345,949
Donated securities held for sale	-	5,973
Grants receivable - operations	106,665	141,515
Accounts receivable	136,338	20,427
Other receivables	-	21,200
Prepaid expenses	4,072	-
Promises to give - net of discount of \$ 1,622	231,128	167,103
Food inventory	12,741	1,064
Total Assets	<u>1,555,898</u>	<u>1,453,969</u>
Property & equipment:		
Land and building - 1514 Federal Street	3,981,392	3,981,392
Land and building - 1506 Federal Street	2,196,591	279,462
Furniture & equipment	354,162	354,162
Vehicles - Delivery Vans	60,519	-
Less: accumulated depreciation	<u>(982,926)</u>	<u>(826,176)</u>
Total Property & Equipment - Net	<u>5,609,738</u>	<u>3,788,840</u>
Total Assets	<u><u>\$ 7,165,636</u></u>	<u><u>\$ 5,242,809</u></u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 135,586	\$ 40,092
Accounts and retainage payable - Construction	525,183	\$ -
Refundable advances - grants	59,643	35,000
Loans payable - Delivery Vans	59,611	-
Mortgage loan - PNC Bank		
Current	10,394	9,406
Long Term	215,719	226,417
Construction loan - 1506 Federal Street	617,011	-
Total Liabilities	<u>1,623,147</u>	<u>310,915</u>
Net Assets:		
Unrestricted	518,489	696,861
Unrestricted - invested in property & equipment	5,024,000	3,553,017
Total Unrestricted Net Assets	<u>5,542,489</u>	<u>4,249,878</u>
Temporarily restricted	-	682,016
Total Net Assets	<u>5,542,489</u>	<u>4,931,894</u>
Total Liabilities and Net Assets	<u><u>\$ 7,165,636</u></u>	<u><u>\$ 5,242,809</u></u>

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

Cathedral Soup Kitchen, Inc.
Statement of Activities
For the Year Ended December 31, 2014
(With Summarized Totals For 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Operating Revenue And Support:				
Contributions	\$ 326,816		\$ 326,816	\$ 309,116
Grants - governmental	138,330		138,330	206,128
Grants - other	314,680		314,680	573,806
Special events - net of expenses	93,477		93,477	91,455
Program income - contract & catering	402,383		402,383	258,107
Program income - dental program	5,947		5,947	8,952
Interest and other income	2,126		2,126	3,107
Net assets released from restrictions	175,000	(175,000)	-	-
Total Operating Revenue And Support	<u>1,458,759</u>	<u>(175,000)</u>	<u>1,283,759</u>	<u>1,450,671</u>
Operating Expenses:				
Program Services				
Operating Expenses - Cash	1,188,584		1,188,584	977,737
Operating Expenses - Depreciation	145,778		145,778	149,129
Supporting Services				
Operating Expenses - Cash	402,760		402,760	278,013
Operating Expenses - Depreciation	10,972		10,972	11,275
<i>(See Footnote # 9 for calculation of overhead percentage)</i>				
Total Operating Expenses	<u>1,748,094</u>	<u>-</u>	<u>1,748,094</u>	<u>1,416,154</u>
Change in Net Assets From Operations	<u>(289,335)</u>	<u>(175,000)</u>	<u>(464,335)</u>	<u>34,567</u>
Non Operating Activities:				
Contributions - Capital Campaign		1,102,237	1,102,237	791,128
Non Capital Expenditures		(27,307)	(27,307)	(4,650)
Capital expenditures	1,917,130	(1,917,130)	-	-
Transfer from Unrestricted	(335,184)	335,184	-	-
Total Non Operating Activities	<u>1,581,946</u>	<u>(507,016)</u>	<u>1,074,930</u>	<u>786,478</u>
Change in Net Assets	1,292,611	(682,016)	610,595	821,045
Net Assets, Beginning of Year	4,249,878	682,016	4,931,894	4,110,849
Net Assets, End of Year	<u>\$ 5,542,489</u>	<u>\$ -</u>	<u>\$ 5,542,489</u>	<u>\$ 4,931,894</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, 2014
(With Summarized Totals For 2013)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Personnel	\$ 460,913	\$ 261,617	\$ 722,530	\$ 558,064
Employee benefits	56,240	32,961	89,201	54,442
Payroll taxes	42,335	24,811	67,146	51,859
Program supplies & expenses	280,372		280,372	261,303
Catering and contract catering costs	188,866		188,866	92,243
Postage & printing	8,883	8,882	17,765	20,706
Other facility costs, equipment repairs, security, etc.	27,928	6,982	34,910	39,042
Phone, internet and website	3,640	911	4,551	4,520
Trash removal	7,903		7,903	7,719
Office expenses	5,704	5,704	11,408	17,888
Miscellaneous		10,875	10,875	7,697
Vehicle expense	7,390		7,390	-
Professional services		18,545	18,545	18,730
Service agreement	18,000	2,000	20,000	20,000
Insurance	27,100	6,776	33,876	28,110
Interest	9,384	2,347	11,731	12,253
Development		9,367	9,367	8,241
Utilities	43,926	10,982	54,908	52,933
Total Expenses Before Depreciation	<u>1,188,584</u>	<u>402,760</u>	<u>1,591,344</u>	<u>1,255,750</u>
Depreciation	145,778	10,972	156,750	160,354
Total Expenses	<u><u>\$ 1,334,362</u></u>	<u><u>\$ 413,732</u></u>	<u><u>\$ 1,748,094</u></u>	<u><u>\$ 1,416,104</u></u>

*The accompanying footnotes are an integral part of the financials statements.
(See Footnote # 9 for calculation of overhead percentage)*

Cathedral Soup Kitchen, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities:

Change in net assets	\$ 610,595
Add - depreciation	156,750
Decrease in donated securities held for sale	5,973
Increase in accounts and other receivables	(94,711)
Decrease in grants receivable	34,850
Increase in prepaid expenses	(4,072)
Increase in food inventory	(11,677)
Increase in accounts payable	620,677
Decrease in deferred income and refundable advances	24,643
Net cash provided by operating activities	<u>1,343,028</u>

Cash Flows From Investing Activities:

Capital expenditures - 1506 Federal Street	(1,977,649)
Increase in promises to give	(64,024)
Net cash flow used in investing activities	<u>(2,041,673)</u>

Cash Flows from Financing Activities:

Loan principal payments	(10,618)
Proceeds from vehicle loans	60,519
Proceeds from construction loan	617,011
Net cash flow used in financing activities	<u>666,912</u>

Change in Cash and Cash Equivalents	(31,733)
Cash and Cash Equivalents, Beginning	1,096,687
Cash and Cash Equivalents, Ending	<u>\$ 1,064,954</u>

Supplemental Information:

Interest Paid	<u>\$ 11,731</u>
----------------------	-------------------------

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, 2014

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, 2014 consisted of checking accounts and money market accounts.

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 April 27, 2015.

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 human services 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 to support a contract meal program, and a café. Cathedral commenced a capital campaign, in 2013, to raise funds for the renovation of the property. Promises to give and donations in excess of \$ 1,925,000 have been received thru December 31, 2014. As of December 31, 2014 the balance of promises to give that were receivable amounted to \$231,128. The promises are due as follows:

2015	\$ 186,750
2016	34,951
2017	9,427

The promises that are due beyond 2015 have been discounted using a present value factor of 3 %. The balance of the discount at December 31, 2014 is \$ 1,622.

The Cathedral Kitchen has substantially completed the renovation of the property during 2014. The costs incurred to date amount to approximately \$ 2,200,000.

In connection with the renovation, the Cathedral Kitchen obtained a construction loan and a bridge loan from PNC Bank. The construction loan is in the amount of \$1,000,000 and the bridge loan in the amount of \$ 300,000. Upon completion of the project any balance due on the construction loan will be converted to a permanent loan. The balance outstanding on the construction loan at December 31, 2014 amounted to \$617,011. The loan only requires that interest be paid until the loan is converted to a permanent loan in 2016.

The project manager for the general contractor who renovated the property is also a board member of Cathedral Kitchen. In accordance with Cathedral Kitchen's conflict of interest policy, his involvement in the project was disclosed and approved by the Board.

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, 2014 is \$ 226,113. The principal maturities for the term of the loan is as follows:

December 31, 2015	\$10,394
December 31, 2016	10,926
December 31, 2017	11,485
December 31, 2018	193,309

7. Vehicle Loans

To support the catering operation that commenced in December 2014 with the renovation of 1506 Federal Street, the Cathedral Kitchen purchased two delivery vans. The cost of the vans were \$ 60,519. Financing was obtained for the purchase of the vans. The loans are payable in monthly instalments of \$ 561 each and include interest at the rate of 4.24 for a term of 60 months. The balance outstanding at December 31, 2014 was \$ 59,611. The principle maturities for the term of the loan is as follows;

December 31, 2015	\$11,140
December 31, 2016	11,622

December 31, 2017	12,124
December 31, 2018	12,648
December 31, 2019	12,077

8. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets for the year ended December 31, 2014 were released as follows:

Capital Campaign	\$ 1,917,130
Foundation grants received in 2013 that were released for use in 2014	175,000

Total Net Assets Released	\$ 2,092,130

9. 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	\$ 1,334,362
Value of Donated Volunteer Labor (14,408 hrs. at \$8.25 per hr.)	118,866
Value of Donated Dental Services (345 hrs. at \$140 per hr.)	48,300
Value of Donated Food	200,000

Total Adjusted Program Services Expenses	1,701,528

Adjusted Total Expenses

Total Adjusted Program Expenses	1,701,528
Total Supporting Expenses	413,732

Total Adjusted Total Expenses	2,115,260

Overhead Ratio Calculation **19.5 %**

10. Contact Meal Program

In connection with the renovation of 1506 Federal Street, as discussed in Note 5, the Cathedral Kitchen entered into a one year contract, commencing in December 2014, with the local Volunteers of America (VOA) affiliate to provide meals to nine of their program sites. Additional staff were hired in 2014 to support this contract which is expected to generate in excess of \$ 1,500,000 in program revenue for the term of the contract.