

Cathedral Soup Kitchen, Inc.
Financial Statements
For the Year Ended
December 31, 2015
And Independent Auditors' Report

Ditmars, Perazza & Co.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

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

April 20, 2016

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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Ditmars Perazza & Co.", written in a cursive style.

Ditmars, Perazza & Co.

Cathedral Soup Kitchen, Inc.
Statement of Financial Position
December 31, 2015
(With Summarized Totals For 2014)

Assets:	2015	2014
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 625,918	\$ 297,958
Money Market funds - reserved for future expenditures	175,903	175,978
Cash in the bank - building fund	466,437	591,018
Donated securities held for sale	8,121	-
Grants receivable - operations	90,000	106,665
Accounts receivable	173,765	136,338
Prepaid expenses	-	4,072
Promises to give - net of discount of \$ 291	44,709	231,128
Food inventory	17,416	12,741
Total Assets	<u>1,602,269</u>	<u>1,555,898</u>
Property & equipment:		
Land and building - 1514 Federal Street	3,981,392	3,981,392
Land and building - 1506 Federal Street	1,968,665	1,767,861
Furniture & equipment	782,892	782,892
Vehicles - Delivery Vans	60,519	60,519
Less: accumulated depreciation	<u>(1,244,584)</u>	<u>(982,926)</u>
Total Property & Equipment - Net	<u>5,548,884</u>	<u>5,609,738</u>
Total Assets	<u><u>\$ 7,151,153</u></u>	<u><u>\$ 7,165,636</u></u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 86,903	\$ 135,586
Accounts and retainage payable - Construction	37,675	525,183
Refundable advances - grants	52,500	59,643
Deferred pledge revenue	220,500	-
Loans payable - Delivery Vans		
Current	11,622	11,140
Long Term	36,822	48,471
Mortgage loan - PNC Bank		
Current	10,927	10,394
Long Term	204,997	215,719
Construction loan - 1506 Federal Street	865,109	617,011
Total Liabilities	<u>1,527,055</u>	<u>1,623,147</u>
Net Assets:		
Unrestricted	727,485	518,489
Unrestricted - invested in property & equipment	4,896,613	5,024,000
Total Unrestricted Net Assets	<u>5,624,098</u>	<u>5,542,489</u>
Temporarily restricted	-	-
Total Net Assets	<u>5,624,098</u>	<u>5,542,489</u>
Total Liabilities and Net Assets	<u><u>\$ 7,151,153</u></u>	<u><u>\$ 7,165,636</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, 2015
(With Summarized Totals For 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Operating Revenue And Support:				
Contributions	\$ 371,217		\$ 371,217	\$ 326,816
Non Cash contributions of food and supplies	400,000		400,000	-
Grants - governmental	152,142		152,142	138,330
Grants - other	467,648		467,648	314,680
Special events - net of expenses	91,219		91,219	93,477
Program income - contract, catering & café	1,553,666		1,553,666	402,383
Program income - dental program	4,874		4,874	5,947
Interest and other income	1,213		1,213	2,126
Net assets released from restrictions			-	-
Total Operating Revenue And Support	<u>3,041,979</u>	<u>-</u>	<u>3,041,979</u>	<u>1,283,759</u>
Operating Expenses:				
Program Services				
Operating Expenses - Cash	2,432,464		2,432,464	1,188,584
Operating Expenses - Depreciation	235,492		235,492	145,778
Supporting Services				
Operating Expenses - Cash	410,603		410,603	402,760
Operating Expenses - Depreciation	26,166		26,166	10,972
<i>(See Footnote # 9 for calculation of overhead percentage)</i>				
Total Operating Expenses	<u>3,104,725</u>	<u>-</u>	<u>3,104,725</u>	<u>1,748,094</u>
Change in Net Assets From Operations	<u>(62,746)</u>	<u>-</u>	<u>(62,746)</u>	<u>(464,335)</u>
Non Operating Activities:				
Contributions - Capital Campaign		144,355	144,355	1,102,237
Non Capital Expenditures			-	(27,307)
Capital expenditures	200,804	(200,804)	-	-
Transfer from Unrestricted	(56,449)	56,449	-	-
Total Non Operating Activities	<u>144,355</u>	<u>-</u>	<u>144,355</u>	<u>1,074,930</u>
Change in Net Assets	81,609	-	81,609	610,595
Net Assets, Beginning of Year	5,542,489	-	5,542,489	4,931,894
Net Assets, End of Year	<u>\$ 5,624,098</u>	<u>\$ -</u>	<u>\$ 5,624,098</u>	<u>\$ 5,542,489</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, 2015
(With Summarized Totals For 2014)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Personnel	\$ 826,823	\$ 265,253	\$ 1,092,076	\$ 722,530
Employee benefits	91,284	29,285	120,569	89,201
Payroll taxes	79,953	25,248	105,201	67,146
Program supplies & expenses	210,992		210,992	280,372
Catering and contract catering costs	552,245		552,245	188,866
Non cash contributions of food & supplies	400,000		400,000	-
Postage & printing	10,913	10,914	21,827	17,765
Other facility costs, equipment repairs, security, etc.	52,259	5,807	58,066	34,910
Phone, internet and website	4,861	1,215	6,076	4,551
Trash removal	11,228		11,228	7,903
Office expenses	8,664	8,664	17,328	11,408
Miscellaneous		8,264	8,264	10,875
Vehicle expense	18,084		18,084	7,390
Professional services		23,372	23,372	18,545
Service agreement	18,000	2,000	20,000	20,000
Insurance	51,043	5,671	56,714	33,876
Interest	9,002	2,251	11,253	11,731
Development		12,980	12,980	9,367
Utilities	87,113	9,679	96,792	54,908
Total Expenses Before Depreciation	<u>2,432,464</u>	<u>410,603</u>	<u># 2,843,067</u>	<u>1,591,344</u>
Depreciation	235,492	26,166	261,658	156,750
Total Expenses	<u><u>\$ 2,667,956</u></u>	<u><u>\$ 436,769</u></u>	<u><u># \$ 3,104,725</u></u>	<u><u>\$ 1,748,094</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, 2015

Cash Flows from Operating Activities:

Change in net assets	\$ 81,609
Add - depreciation	261,658
Increase in donated securities held for sale	(8,121)
Increase in accounts and other receivables	(37,427)
Decrease in grants receivable	16,665
Decrease in prepaid expenses	4,072
Increase in food inventory	(4,675)
Decrease in accounts payable	(536,191)
Increase in deferred income and refundable advances	213,357
Net cash provided by operating activities	<u>(9,053)</u>

Cash Flows From Investing Activities:

Capital expenditures - 1506 Federal Street	(200,804)
Decrease in promises to give	186,419
Net cash flow used in investing activities	<u>(14,385)</u>

Cash Flows from Financing Activities:

Loan principal payments	(21,356)
Proceeds from construction loan	248,098
Net cash flow used in financing activities	<u>226,742</u>

Change in Cash and Cash Equivalents	203,304
Cash and Cash Equivalents, Beginning	1,064,954
Cash and Cash Equivalents, Ending	<u>\$ 1,268,258</u>

Supplemental Information:

Interest Paid	<u>\$ 11,253</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, 2015

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 food, job training and health services to the homeless and impoverished in Camden, NJ. Cathedral Kitchen serves a nutritious meal six days a week in its dining room, and provides meals to after school programs on a regular basis. There is no charge for these meals, and no requirement to demonstrate financial need. Job training in the Culinary and Baking Arts are provided for free to eligible applicants, and free dental services are available at the Project Smiles dental clinic on site. 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

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2015

restricted net assets. The Cathedral Kitchen does not have any permanently restricted net assets. As such, this class is not utilized. The temporarily restricted net asset class is utilized for contributions that are donor restricted.

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, 2015 consisted of checking accounts and money market accounts.

Property and Equipment

Expenditures for property and equipment, in excess of \$ 2,500 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.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2015

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 Services

Hundreds of volunteers donate in excess of 16,000 hours of time each year to the Cathedral Kitchen in support of their programs. See Footnote 11 for the treatment of non cash contributions and supplies.

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

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2015

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 20, 2016. No events were noted that would require recognition or disclosure.

3. Functional Allocation of Expenses

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

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2015

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 was to develop it into a training facility, a commercial production kitchen to support a contract meal program, and a café. Cathedral Kitchen commenced a capital campaign, in 2013, to raise funds for the renovation of the property. Promises to give and donations in excess of \$ 2,000,000 have been received thru December 31, 2015. As of December 31, 2015 the balance of promises to give that were receivable amounted to \$44,709. The promises are due as follows:

2016	\$ 35,000
2017	9,709

The promises that are due beyond 2016 have been discounted using a present value factor of 3 %. The balance of the discount at December 31, 2015 is \$ 291.

The Cathedral Kitchen has completed the renovation of the property during 2015 at a final cost of approximately \$ 2,400,000 including furnishings and equipment.

In connection with the renovation, the Cathedral Kitchen obtained a construction loan and a bridge loan from a local 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, 2015 amounted to \$865,109. The loan only requires that interest be paid until the loan is converted to a permanent loan. It is expected that the loan will become permanent in 2016.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2015

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 the 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. There is no penalty for early redemption of the mortgage. The balance payable at December 31, 2015 is \$ 215,924. The principal maturities for the term of the loan is as follows:

December 31, 2016	\$10,927
December 31, 2017	11,485
December 31, 2018	193,512

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, 2015 was \$ 48,444. The principle maturities for the term of the loan is as follows;

December 31, 2016	\$11,622
December 31, 2017	12,124
December 31, 2018	12,648
December 31, 2019	12,050

8. 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,

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2015

which generated in excess of \$ 1,400,000 in program revenue for the term of the contract. The contract was extended to December 2016.

9. Overhead Ratio Calculation

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

Adjusted Program Expenses:

Program Services Expenses	\$ 2,667,956
Value of Donated Volunteer Labor (16,194 hrs. at \$8.38 per hr.)	135,706
Value of Donated Dental Services (388.3 hrs. at \$140 per hr.)	54,362

Total Adjusted Program Services Expenses	2,858,024

Adjusted Total Expenses

Total Adjusted Program Expenses	2,858,024
Total Supporting Expenses	436,769

Total Adjusted Total Expenses	3,294,793

Overhead Ratio Calculation **13.2 %**

10. Concentration of Credit Risk

Cathedral Kitchen maintains cash balances at several banks. Accounts at one bank are currently insured by the Federal Deposit Insurance Corporation up to \$250,000.

A portion of the cash balances exceeded the limit and is not insured by the FDIC. Cathedral Kitchen has not experienced any losses in such accounts.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2015

11. Non Cash Contributions of Food and Supplies

The Cathedral Kitchen receives significant donations of food and supplies during the year in addition to food that is purchased. The donated food and supplies has been recorded as both a contribution and a program expense at a value equal to the estimated cost to purchase. The Cathedral Kitchen estimates the value of the donated items to be approximately \$ 400,000.