

Cathedral Soup Kitchen, Inc.
Financial Statements
For the Year Ended
December 31, 2016
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, 2017

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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, 2016
(With Summarized Totals For 2015)

Assets:	2016	2015
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 762,106	\$ 625,918
Money Market funds - reserved for future expenditures	256,624	175,903
Cash in the bank - building fund	211	466,437
Donated securities held for sale	25,180	8,121
Grants receivable - operations	164,000	90,000
Accounts receivable	175,903	173,765
Prepaid expenses and deposits	31,480	-
Promises to give	10,000	44,709
Food inventory	18,003	17,416
Total Assets	1,443,507	1,602,269
Property & equipment:		
Land and building - 1514 Federal Street	3,981,392	3,981,392
Land and building - 1506 Federal Street	1,996,784	1,968,665
Furniture & equipment	861,759	782,892
Vehicles - Delivery Vans	60,519	60,519
Less: accumulated depreciation	(1,507,344)	(1,244,584)
Total Property & Equipment - Net	5,393,110	5,548,884
Total Assets	\$ 6,836,617	\$ 7,151,153
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 148,526	\$ 86,903
Accounts and retainage payable - Construction	-	37,675
Refundable advances - grants	55,000	52,500
Deferred pledge revenue	174,000	220,500
Loans payable - Delivery Vans		
Current	12,151	11,622
Long Term	24,645	36,822
Mortgage loan - PNC Bank		
Current	19,242	10,927
Long Term	514,439	204,997
Construction loan - 1506 Federal Street	-	865,109
Total Liabilities	948,003	1,527,055
Net Assets:		
Unrestricted	1,065,981	727,485
Unrestricted - invested in property & equipment	4,822,633	4,896,613
Total Unrestricted Net Assets	5,888,614	5,624,098
Temporarily restricted	-	-
Total Net Assets	5,888,614	5,624,098
Total Liabilities and Net Assets	\$ 6,836,617	\$ 7,151,153

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

Cathedral Soup Kitchen, Inc.
Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Totals For 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Operating Revenue And Support:				
Contributions	\$ 619,073	\$ 57,000	\$ 676,073	\$ 371,217
Non Cash contributions of food and supplies	450,000		450,000	400,000
Grants - governmental	146,500		146,500	152,142
Grants - other	156,100	\$ 261,500	417,600	467,648
Special events - net of expenses	102,656		102,656	91,219
Program income - contract, catering & café	1,652,144		1,652,144	1,553,666
Program income - dental program	6,467		6,467	4,874
Interest and other income	2,009		2,009	1,213
Unrealized appreciation on investments	5,909		5,909	-
Insurance proceeds	9,850		9,850	-
Net assets released from restrictions	318,500	(318,500)	-	-
Total Operating Revenue And Support	<u>3,469,208</u>	<u>-</u>	<u>3,469,208</u>	<u>3,041,979</u>
Operating Expenses:				
Program Services				
Operating Expenses - Cash	2,623,766		2,623,766	2,432,464
Operating Expenses - Depreciation	236,485		236,485	235,492
Supporting Services				
Operating Expenses - Cash	450,556		450,556	410,603
Operating Expenses - Depreciation	26,276		26,276	26,166
(See Footnote # 9 for calculation of overhead percentage)				
Total Operating Expenses	<u>3,337,083</u>	<u>-</u>	<u>3,337,083</u>	<u>3,104,725</u>
Change in Net Assets From Operations	<u>132,125</u>	<u>-</u>	<u>132,125</u>	<u>(62,746)</u>
Non Operating Activities:				
Contributions - Capital Campaign	132,391		132,391	144,355
Total Non Operating Activities	<u>132,391</u>	<u>-</u>	<u>132,391</u>	<u>144,355</u>
Change in Net Assets	264,516	-	264,516	81,609
Net Assets, Beginning of Year	5,624,098	-	5,624,098	5,542,489
Net Assets, End of Year	<u>\$ 5,888,614</u>	<u>\$ -</u>	<u>\$ 5,888,614</u>	<u>\$ 5,624,098</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, 2016
(With Summarized Totals For 2015)

	Program Services	Supporting Services	2016 Totals	2015 Totals
Personnel	\$ 872,821	\$ 293,323	\$ 1,166,144	\$ 1,092,076
Employee benefits	86,053	21,513	107,566	120,569
Payroll taxes	91,853	22,964	114,817	105,201
Program supplies, food and & other direct expenses (other than personnel)	824,093		824,093	763,237
Non cash contributions of food & supplies	450,000		450,000	400,000
Postage & printing	4,430	17,720	22,150	21,827
Other facility costs, equipment repairs, security, etc.	58,724	6,525	65,249	58,066
Phone, internet and website	5,334	1,334	6,668	6,076
Trash removal	12,096		12,096	11,228
Office expenses	3,886	15,543	19,429	17,328
Miscellaneous		1,269	1,269	8,264
Vehicles expenses	29,902		29,902	18,084
Professional services		16,793	16,793	23,372
Service agreement	18,000	20,000	38,000	20,000
Insurance	76,183	8,465	84,648	56,714
Interest	8,626	2,157	10,783	11,253
Development		13,865	13,865	12,980
Utilities	81,765	9,085	90,850	96,792
Total Expenses Before Depreciation	<u>2,623,766</u>	<u>450,556</u>	<u>3,074,322</u>	<u>2,843,067</u>
Depreciation	236,485	26,276	262,761	261,658
Total Expenses	<u><u>\$ 2,860,251</u></u>	<u><u>\$ 476,832</u></u>	<u><u>\$ 3,337,083</u></u>	<u><u>\$ 3,104,725</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, 2016

Cash Flows from Operating Activities:

Change in net assets	\$ 264,516
Add - depreciation	262,761
Increase in donated securities held for sale	(17,059)
Increase in accounts and other receivables	(2,138)
Decrease in grants receivable	(74,000)
Increase in prepaid expenses	(31,480)
Increase in food inventory	(587)
Increase in accounts payable	23,948
Decrease in deferred income and refundable advances	(44,000)
Net cash provided by operating activities	<u>381,961</u>

Cash Flows From Investing Activities:

Capital expenditures	(106,987)
Decrease in promises to give	34,709
Net cash flow used in investing activities	<u>(72,278)</u>

Cash Flows from Financing Activities:

Loan principal payments	(229,691)
Proceeds from mortgage loan	535,800
Payments of principal of the construction loan	(865,109)
Net cash flow used in financing activities	<u>(559,000)</u>
Change in Cash and Cash Equivalents	(249,317)
Cash and Cash Equivalents, Beginning	1,268,258
Cash and Cash Equivalents, Ending	<u>\$ 1,018,941</u>

Supplemental Information:

Interest Paid	<u>\$ 10,783</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, 2016

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, 2016

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, 2016 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 (Continued)
For the Year Ended December 31, 2016

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 16,900 hours of time each year to the Cathedral Kitchen in support of their programs. See Footnote 9 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 (Continued)
For the Year Ended December 31, 2016

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.
- 4.

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 18, 2017. 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, 2016

4. Facilities

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.

The Cathedral Kitchen purchased a building at 1506 Federal Street, Camden, NJ on April 19, 2013. The facility is used as a training facility, a commercial production kitchen to support a contract meal program and a café.

5. 1506 Federal Street and Capital Campaign

The Cathedral Kitchen commenced a capital campaign, in 2013, to raise funds for the renovation of the 1506 Federal Street property. Promises to give and donations in excess of \$ 2,100,000 had been received thru December 31, 2016. As of December 31, 2016 the balance of promises to give that were receivable amounted to \$10,000.. The promises are due during the year ended December 31, 2017.

The Cathedral Kitchen completed the renovation of the property during 2015 at a final cost of approximately \$ 2,500,000 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. The loan was converted to a permanent mortgage loan during 2016 when a mortgage was obtained in the amount of \$ 535,800. See Note 6.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2016

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 was payable in monthly installments of \$1,786.78 including interest at the rate of 5 %. The mortgage was 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 of the loan was added to the loan discussed in Note 5.

The consolidated mortgage is payable in monthly instalments of \$ 3,059 including interest at the rate of 3.303 % using a 20 year amortization. The loan commenced on December 6, 2016 and is payable in full on November 6, 2026. Real estate at both 1506 and 1514 Federal Street are security for the mortgage. The principal maturities for the term of the mortgage are as follows:

December 31, 2017	\$ 19,242
December 31, 2018	19,892
December 31, 2019	20,563
December 31, 2020	21,257
December 31, 2021	21,975
December 31, 2022-2026	430,752

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 installments of \$ 561 each and include interest at the rate of 4.24 for a term of 60 months. The balance outstanding at December 31, 2016 was \$ 38,796. The principle maturities for the term of the loan is as follows;

December 31, 2017	\$12,151
December 31, 2018	12,648
December 31, 2019	11,997

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2016

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. The contract was extended thru December 2017.

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	\$ 2,860,251
Value of Donated Volunteer Labor (16,928 hrs. at \$8.38 per hr.)	141,857
Value of Donated Dental Services (358.5 hrs. at \$140 per hr.)	50,190

Total Adjusted Program Services Expenses	3,052,298

Adjusted Total Expenses

Total Adjusted Program Expenses	3,052,298
Total Supporting Expenses	476,832

Total Adjusted Total Expenses	3,529,130

Overhead Ratio Calculation **13.5 %**

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, 2016

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 \$ 450,000.