

Cathedral Soup Kitchen, Inc.
Financial Statements
For the Year Ended
December 31, 2017
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 19, 2018

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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, 2017
(With Summarized Totals For 2016)

Assets:	2017	2016
Current Assets:		
Cash and cash equivalents:		
Cash in the bank - unreserved	\$ 1,024,914	\$ 762,106
Money Market funds - reserved for future expenditures	202,500	256,624
Cash in the bank - building fund		211
Donated securities held for sale	44,502	25,180
Grants receivable - operations	130,750	164,000
Accounts receivable	179,667	175,903
Prepaid expenses and deposits	21,127	31,480
Promises to give	-	10,000
Food inventory	17,024	18,003
Total Current Assets	1,620,484	1,443,507
Property & equipment:		
Land and building - 1514 Federal Street	3,981,392	3,981,392
Land and building - 1506 Federal Street	1,999,609	1,996,784
Furniture & equipment	893,627	861,759
Vehicles - Delivery Vans	148,701	60,519
Less: accumulated depreciation	(1,794,928)	(1,507,344)
Total Property & Equipment - Net	5,228,401	5,393,110
Total Assets	\$ 6,848,885	\$ 6,836,617
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 146,489	\$ 148,526
Refundable advances - grants	50,000	55,000
Deferred pledge revenue	27,750	174,000
Loan payable - Delivery Vans - current	12,676	12,151
Mortgage payable - PNC Bank - current	19,892	19,242
Total Current Liabilities	256,807	408,919
Long Term Liabilities:		
Loans payable - Delivery Vans	11,969	24,645
Mortgage loan - PNC Bank	494,662	514,439
Total Long Term Liabilities	506,631	539,084
Total Liabilities	763,438	948,003
Net Assets:		
Unrestricted	1,396,245	1,065,981
Unrestricted - invested in property & equipment	4,689,202	4,822,633
Total Unrestricted Net Assets	6,085,447	5,888,614
Temporarily restricted	-	-
Total Net Assets	6,085,447	5,888,614
Total Liabilities and Net Assets	\$ 6,848,885	\$ 6,836,617

Cathedral Soup Kitchen, Inc.
Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Totals For 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Operating Revenue And Support:				
Contributions	\$ 767,631	\$ 82,500	\$ 850,131	\$ 676,073
Non Cash contributions of food and supplies	732,000		732,000	450,000
Grants - governmental	167,000		167,000	146,500
Grants - other	169,000	254,150	423,150	417,600
Special events - net of expenses	125,770		125,770	102,656
Program income - contract, catering & café	1,688,486		1,688,486	1,652,144
Program income - dental program	7,181		7,181	6,467
Interest and other income	6,583		6,583	2,009
Unrealized appreciation on investments	5,200		5,200	5,909
Insurance proceeds			-	9,850
Net assets released from restrictions	336,650	(336,650)	-	-
Total Operating Revenue And Support	<u>4,005,501</u>	<u>-</u>	<u>4,005,501</u>	<u>3,469,208</u>
Operating Expenses:				
Program Services				
Operating Expenses - Cash	3,027,017		3,027,017	2,623,766
Operating Expenses - Depreciation	258,826		258,826	236,485
Supporting Services				
Operating Expenses - Cash	494,567		494,567	450,556
Operating Expenses - Depreciation	28,758		28,758	26,276
(See Footnote # 8 for calculation of overhead percentage)				
Total Operating Expenses	<u>3,809,168</u>	<u>-</u>	<u>3,809,168</u>	<u>3,337,083</u>
Change in Net Assets From Operations	<u>196,333</u>	<u>-</u>	<u>196,333</u>	<u>132,125</u>
Non Operating Activities:				
Contributions - Capital Campaign	500		500	132,391
Total Non Operating Activities	<u>500</u>	<u>-</u>	<u>500</u>	<u>132,391</u>
Change in Net Assets	196,833	-	196,833	264,516
Net Assets, Beginning of Year	5,888,614	-	5,888,614	5,624,098
Net Assets, End of Year	<u>\$ 6,085,447</u>	<u>\$ -</u>	<u>\$ 6,085,447</u>	<u>\$ 5,888,614</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, 2017
(With Summarized Totals For 2016)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Personnel	\$ 913,319	\$ 334,650	\$ 1,247,969	\$ 1,166,144
Employee benefits	86,549	30,940	117,489	107,566
Payroll taxes	85,838	30,687	116,525	114,817
Program supplies, food and & other direct expenses (other than personnel)	872,542		872,542	814,602
Non cash contributions of food & supplies	732,000		732,000	450,000
Postage & printing	4,604	18,417	23,021	22,150
Other facility costs, equipment repairs, security, etc.	56,973	6,330	63,303	65,249
Phone, internet and website	6,082	1,520	7,602	6,668
Trash removal	12,986		12,986	12,096
Office expenses	3,108	12,431	15,539	19,429
Miscellaneous		1,561	1,561	1,269
Vehicles expenses	39,103		39,103	29,902
Professional services		22,894	22,894	16,793
Service agreement	18,000	2,000	20,000	38,000
Insurance	77,572	8,619	86,191	84,648
Special projects	18,434		18,434	9,491
Interest	15,126	3,781	18,907	10,783
Development		11,317	11,317	13,865
Utilities	84,781	9,420	94,201	90,850
Total Expenses Before Depreciation	<u>3,027,017</u>	<u>494,567</u>	<u>3,521,584</u>	<u>3,074,322</u>
Depreciation	258,826	28,758	287,584	262,761
Total Expenses	<u><u>\$ 3,285,843</u></u>	<u><u>\$ 523,325</u></u>	<u><u>\$ 3,809,168</u></u>	<u><u>\$ 3,337,083</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, 2017 and 2016

<u>Cash Flows from Operating Activities:</u>	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 196,833	\$ 264,516
Add - depreciation	287,584	262,761
Increase in donated securities held for sale	(19,322)	(17,059)
Increase in accounts and other receivables	(3,764)	(2,138)
(Increase) Decrease in grants receivable	33,250	(74,000)
(Increase) Decrease in prepaid expenses	10,353	(31,480)
(Increase) Decrease in food inventory	979	(587)
Increase (Decrease) in accounts payable	(2,037)	23,948
Decrease in deferred income and refundable advances	(151,250)	(44,000)
Net cash provided by operating activities	<u>352,626</u>	<u>381,961</u>
<u>Cash Flows From Investing Activities:</u>		
Capital expenditures	(122,875)	(106,987)
Decrease in promises to give	10,000	34,709
Net cash flow used in investing activities	<u>(112,875)</u>	<u>(72,278)</u>
<u>Cash Flows from Financing Activities:</u>		
Loan principal payments	(31,278)	(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>(31,278)</u>	<u>(559,000)</u>
Change in Cash and Cash Equivalents	208,473	(249,317)
Cash and Cash Equivalents, Beginning	1,018,941	1,268,258
Cash and Cash Equivalents, Ending	<u>\$ 1,227,414</u>	<u>\$ 1,018,941</u>
Supplemental Information:		
Interest Paid	<u>\$ 18,907</u>	<u>\$ 10,783</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, 2017

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

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it entitled to receive in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2018 and may be adopted either by restating all years presented in the Organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the fiscal. Early application is permitted. The Organization is assessing the potential impact this guidance will have on its financial statements.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

lessee balance sheets. The standard will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Organization is assessing the potential impact this guidance will have on its financial statements.

Presentation of Financial Statements of Non-for-Profit Entities – Issued in August 2016, Accounting Standards Update (ASU) No.2016-14 is intended to improve the presentation of financial statements of not-for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentations of operating cash flows. The standard is effective for the fiscal years beginning after December 15, 2017. Early application is permitted. The Organization is assessing the potential impact this guidance will have on its financial statements.

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. 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, 2017 consisted of checking accounts and money market accounts.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

Donated Securities

Donated securities are recorded at the fair market value of the donated investment at the time of the donation.

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.

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 18,500 hours of time each year to the Cathedral Kitchen in support of their programs. No amounts have been reflected in the financial statements for donated services. See Footnote 9 for the Overhead Ratio Calculation.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

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.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

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 marketbased 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 19, 2018. 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.

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.

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

1506 Federal Street

The Cathedral Kitchen completed the renovation of the property during 2015 at a final cost of approximately \$ 2,500,000 including furnishings and equipment. The renovation was financed in part from a capital campaign and in part from a loan from a local bank. The construction loan in the amount of \$1,000,000 and the bridge loan in the amount of \$ 300,000 were converted to a permanent mortgage loan during 2016 when a mortgage was obtained in the amount of \$ 535,800. (See Note 5).

1514 Federal Street

The property, which opened in November 2008, was also financed in part by a capital campaign and in part by a mortgage from a local bank. During the year the balance of the loan was added to the loan discussed above for the 1506 Federal Street property. (See Note 5).

5. Mortgage Loan – PNC Bank

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, 2018	\$ 19,892
December 31, 2019	20,563
December 31, 2020	21,257
December 31, 2021	21,975
December 31, 2022	22,717
December 31, 2023-2026	408,150

6. 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

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

vans. The loans are payable in monthly installments of \$ 561 each and include interest at the rate of 4.2 for a term of 60 months. The balance outstanding at December 31, 2017 was \$ 24,645. The principle maturities for the term of the loan is as follows;

December 31, 2018	\$ 12,676
December 31, 2019	11,969

7. 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 through December 2018.

8. 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	\$ 3,285,843
Value of Donated Volunteer Labor (18,514 hrs. at \$8.44 per hr.)	156,258
Value of Donated Dental Services (249 hrs. at \$140 per hr.)	34,860

Total Adjusted Program Services Expenses	3,476,961

Adjusted Total Expenses

Total Adjusted Program Expenses	3,476,961
Total Supporting Expenses	523,325

Total Adjusted Total Expenses	4,000,286

Overhead Ratio Calculation **13.1**

Cathedral Soup Kitchen, Inc.
Notes to Financial Statements (Continued)
For the Year Ended December 31, 2017

9. 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.

10. 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 \$ 732,000.