

THE CATHEDRAL SOUP KITCHEN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE
YEAR ENDED DECEMBER 31, 2017)**

THE CATHEDRAL SOUP KITCHEN, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Cathedral Soup Kitchen, Inc.
Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of **THE CATHEDRAL SOUP KITCHEN, INC.** (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of 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 of 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, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of **THE CATHEDRAL SOUP KITCHEN, INC.** as of December 31, 2017 and for the year then ended, were audited by other auditors whose opinion, dated April 19, 2018, expressed an unmodified opinion on those financial statements.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haebele, Flanagan & Co., p.c.

Maple Shade, New Jersey
July 10, 2019

THE CATHEDRAL SOUP KITCHEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,409,001	\$ 1,227,414
Donated securities	70,289	44,502
Accounts receivable	109,843	179,667
Grants receivable	132,000	130,750
Promises to give	10,300	-0-
Prepaid expenses and deposits	17,860	21,127
Inventory	13,139	17,024
Total current assets	1,762,432	1,620,484
 Property and equipment, net	 5,058,046	 5,228,401
 Total Assets	 \$ 6,820,478	 \$ 6,848,885
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 20,617	\$ 32,568
Accounts payable	72,519	94,927
Accrued expenses and other current liabilities	62,934	51,562
Deferred grant revenue	44,667	77,750
Total current liabilities	200,737	256,807
 Long-term debt, net	 373,589	 506,631
 Total liabilities	 574,326	 763,438
 Net Assets		
Without donor restrictions		
Undesignated	1,453,722	1,396,245
Invested in property and equipment, net of related debt	4,663,840	4,689,202
	6,117,562	6,085,447
 With donor restrictions	 128,590	 -0-
 Total net assets	 6,246,152	 6,085,447
 Total liabilities and net assets	 \$ 6,820,478	 \$ 6,848,885

The accompanying notes are an integral part of these financial statements.

THE CATHEDRAL SOUP KITCHEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 697,474	\$ 28,590	\$ 726,064	\$ 850,631
In-kind contributions of food and supplies	805,200	-0-	805,200	732,000
In-kind contributions of dental services	52,920	-0-	52,920	34,860
Grants - governmental	154,833	-0-	154,833	167,000
Grants - other	555,650	100,000	655,650	423,150
Special events, net of expenses	121,682	-0-	121,682	125,770
Program income - contract, catering, and café	1,774,148	-0-	1,774,148	1,688,486
Program income - dental program	7,801	-0-	7,801	7,181
Interest and other investment income	6,661	-0-	6,661	6,583
Unrealized gains on donated securities held for sale, net	5,729	-0-	5,729	5,200
Loss on disposal of property and equipment	(842)	-0-	(842)	-0-
Total revenue and support	4,181,256	128,590	4,309,846	4,040,861
EXPENSES				
Program services	3,699,114	-0-	3,699,114	3,320,703
Supporting services	450,027	-0-	450,027	523,325
Total expenses	4,149,141	-0-	4,149,141	3,844,028
Changes in net assets	32,115	128,590	160,705	196,833
Net assets, beginning of year	6,085,447	-0-	6,085,447	5,888,614
Net assets, end of year	\$ 6,117,562	\$ 128,590	\$ 6,246,152	\$ 6,085,447

THE CATHEDRAL SOUP KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	Program Services	Supporting Services	Total	Total
Personnel	\$ 1,108,998	\$ 262,125	\$ 1,371,123	\$ 1,247,969
Employee benefits	128,322	30,331	158,653	117,489
Payroll taxes	105,121	24,847	129,968	116,525
In-kind contributions of food and supplies	805,200	-0-	805,200	732,000
In-kind contributions of dental services	52,920	-0-	52,920	34,860
Depreciation	261,442	29,049	290,491	287,584
Development	-0-	12,113	12,113	11,317
Facility costs - equipment, repairs, security, etc.	71,780	7,975	79,755	63,303
Fees	5,364	1,341	6,705	7,685
Insurance	75,260	8,362	83,622	86,191
Interest	13,755	3,439	17,194	18,907
Miscellaneous	-0-	224	224	1,561
Office expenses	3,060	12,241	15,301	15,539
Phone, internet, website	6,654	1,663	8,317	7,602
Postage and printing	4,545	18,182	22,727	23,021
Professional services	-0-	26,623	26,623	22,894
Program supplies, food, and other direct expenses (other than personnel)	855,972	-0-	855,972	872,542
Service agreement	18,000	2,000	20,000	20,000
Special projects	55,285	-0-	55,285	18,434
Trash removal	14,872	-0-	14,872	12,986
Utilities	85,613	9,512	95,125	94,201
Vehicle expenses	26,951	-0-	26,951	31,418
Total expenses	<u>\$ 3,699,114</u>	<u>\$ 450,027</u>	<u>\$ 4,149,141</u>	<u>\$ 3,844,028</u>

THE CATHEDRAL SOUP KITCHEN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 160,705	\$ 196,833
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	290,491	287,584
Donated securities held for sale	(18,842)	(14,122)
Loss on disposal of property and equipment	842	-0-
Net realized and unrealized gains on sale of investments	(5,729)	(5,200)
(Increase) decrease in:		
Accounts receivable	69,824	(3,764)
Grants receivable	(1,250)	33,250
Promises to give	(10,300)	10,000
Prepaid expenses and other current assets	3,267	10,353
Inventory	3,885	979
Increase (decrease) in:		
Accounts payable	(22,408)	(15,657)
Accrued expenses and other current liabilities	11,372	13,620
Deferred grant revenue	(33,083)	(151,250)
Net cash provided by operating activities	448,774	362,626
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(126,978)	(122,875)
Purchase of investments	(1,216)	-0-
Net cash used in investing activities	(128,194)	(122,875)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on long-term debt	(138,993)	(31,278)
Net cash used in financing activities	(138,993)	(31,278)
Net increase in cash and cash equivalents	181,587	208,473
Cash and cash equivalents, beginning of year	1,227,414	1,018,941
Cash and cash equivalents, end of year	\$ 1,409,001	\$ 1,227,414

The accompanying notes are an integral part of these financial statements.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 – Nature of Activities

The Cathedral Soup Kitchen, Inc. (the “Organization”) is a New Jersey not-for-profit corporation dedicated to helping people by providing food, job training, and health services to the homeless and impoverished in the City of Camden, New Jersey and surrounding communities. The Organization 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. The Organization also provides job training in the culinary and baking arts for free to eligible applicants and free dental services, available at the Project Smiles Dental Clinic on site.

The Organization currently has two facilities. The Organization built a facility at its current location of 1514 Federal Street, Camden, NJ, which opened in November 2008. The facility houses all of the Organization’s human services programs, including the Monday through Saturday meal program, culinary arts job training, and the Project Smiles Dental Clinic.

The Organization purchased a building at 1506 Federal Street, Camden, NJ, in April 2013. The facility is used as a training facility, a commercial production kitchen to support a contract meal program, catering, a food truck, and a café that provides culinary training as well as training for enterprise activities.

Note 2 – Summary of Significant Accounting Policies

Change for New Pronouncement

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities.” This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted this standard, effective January 1, 2018, and such adoption had no impact on the Organization’s net asset balances or change in net assets. This ASU has been applied retrospectively to all periods presented.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenues have been reported according to the following classifications:

Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. As these funds may be used at the discretion of the board of directors, program services and supporting services are considered net assets without donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. The Care Student Fund, Haines Family Foundation, and Rohrer grants are classified as net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Prior-Year Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Prior-Year Summarized Comparative Financial Information (continued)

conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Program Income

Program income is recognized when earned. Under the food provision contract with the Volunteers of America ("VOA"), the Organization provided meals to nine of VOA's program sites. Revenue is earned when related services are performed and meals are provided. The VOA contract is an annual contract with a current expiration date in December 2019. Program income also includes catering, food truck, and café revenues. The Organization collects sales tax from customers on these sales and remits the entire amount to the state. The Organization's accounting policy is to exclude the tax collected and remitted to the state from program income.

In-kind Contributions

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. The Organization recognizes volunteer services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The total amount of donated dental service hours for the years ended December 31, 2018 and 2017 totaled 378 and 249 at an estimated fair value rate of \$140 per hour for each of the years. Donated food, supplies, and other donated goods are recorded at their estimated fair value as of the date of the donation. In-kind contributions are recorded as both revenue and expense and therefore, there is no effect on the change in net assets.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents, except those which are held for or restricted by donors for long-term purposes.

Donated Securities

Investments are reported at cost, if purchased, or at fair value at the time of donation, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as unrealized gains or losses in the accompanying statement of activities and changes in net assets.

Fair Value Measurements

Accounting standards for fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Organization would receive to sell marketable securities in an orderly transaction between market participants. For those marketable securities recorded or disclosed at fair value, the Organization determines the fair value based upon the quoted market price, if available. If a quoted market price is not available for identical marketable securities, the fair value is based upon the quoted price of similar marketable securities. The fair values are assigned a level within the fair value hierarchy as defined below:

Level 1 Inputs: Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Inputs: Unobservable inputs that reflect the reporting entity's own assumptions.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts and Grants Receivable

The Organization records accounts receivable when invoices are issued and grants receivable when granted amounts are contracted to be received. Historically, the Organization has had no need for an allowance for doubtful accounts and has a history of no write-offs. However, should receivable balances remain outstanding after management has used reasonable collection efforts, these are written off as uncollectible.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received.

Inventory

Inventory consists of purchased and donated food items and supplies. Inventory is stated at the lower of cost determined by the first-in, first-out (“FIFO”) method if purchased, fair value if donated, or net realizable value.

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: building and improvements, range from 15 to 30 years; furniture and equipment, 5 to 15 years; and vehicles, 5 years. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation expense for the years ended December 31, 2018 and 2017 was \$290,491 and \$287,584.

The Organization reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the years ended December 31, 2018 and 2017.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred Grant Revenue

The Organization records grant awards accounted for as exchange transactions as deferred grant revenue until stipulated time restrictions ends, at which time they are recognized as revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel and benefits related costs are allocated on the basis of estimates of time and effort; facility related costs, including depreciation, facility costs, service agreement, and utilities are allocated using an estimate of square footage; and office related costs, including fees, insurance, interest, office expenses, phone, internet, website, and postage and printing are allocated using estimated historical usage studies.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Federal Exempt Organization Business Income Tax returns (Form 990) are no longer subject to examination by the IRS for years before 2016.

Reclassifications

Certain items in the 2017 financial statements were reclassified to conform with the 2018 financial statement presentation. Total net assets and the changes in net assets remain unchanged as a result of these reclassifications.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes and replaces nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The core principle of the standard is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The standard requires significantly expanded disclosures about revenue recognition and is effective for fiscal years beginning after December 15, 2018. The Organization is in the process of implementing the provisions of ASU 2014-09, but has not yet determined its impact on the financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842).” The primary objective of the standard is to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset. The standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the standard and its impact on the financial statements

Note 3 – Cash and Cash Equivalents

The Organization maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of December 31, 2018, amounts in excess of insured limits totaled \$646,895.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 4 – Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,409,001
Donated securities	70,289
Grants receivable	132,000
Accounts receivable	109,843
Promises to give	<u>10,300</u>
Total financial assets	1,731,433
Less donor restricted amounts available to be used, but not expected to be used within one year	(<u>128,590</u>)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,602,843</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Organization typically maintains its financial assets other than receivables and promises to give in cash accounts or investments available for sale with a goal of having funds available when needed.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Note 5 – Property and Equipment

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Land and buildings – 1506 Federal Street	\$ 1,999,609	\$ 1,999,609
Land and buildings – 1514 Federal Street	3,981,392	3,981,392
Furniture and equipment	942,052	893,627
Vehicles	<u>196,995</u>	<u>148,701</u>
	7,120,048	7,023,329
Less: accumulated depreciation	(<u>2,062,002</u>)	(<u>1,794,928</u>)
	<u>\$ 5,058,046</u>	<u>\$ 5,228,401</u>

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 – Donated Securities

Summary information about the donated securities at December 31, 2018 and 2017 is as follows:

<u>December 31, 2018</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Market Value</u>
Equities	<u>\$ 44,499</u>	<u>\$ 25,790</u>	<u>\$ 70,289</u>
 <u>December 31, 2017</u>	 <u>Cost</u>	 <u>Unrealized Gain</u>	 <u>Fair Market Value</u>
Equities	<u>\$ 24,441</u>	<u>\$ 20,061</u>	<u>\$ 44,502</u>

The fair value of donated securities has been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within the active markets. Unrealized gains in the fair value of donated securities included in the statement of activities and changes in net assets for the years ended December 31, 2018 and 2017 was \$5,729 and \$5,200, respectively.

Note 7 – Long Term Debt

The Organization had two vehicle loans payable to a financial institution in the amount of \$60,519. The loans were payable in 60 monthly installments of \$1,122, which included interest of 4.20%. The loans were secured by the related vehicles. At December 31, 2017, the loan balance was \$24,645, of which \$12,676 was current, and was fully repaid during the year ended December 31, 2018.

The Organization has a consolidated mortgage loan payable to a financial institution. At December 31, 2018 and 2017, the amount owed on the loan was \$394,206 and \$514,554, of which, the current portion was \$20,617 and \$19,892. The mortgage loan is secured by the real estate at 1506 and 1514 Federal Street. The loan is to be repaid in monthly installments of \$3,059, including interest at 3.303%, using a 20 year amortization, with a final payment of all remaining principal and interest on November 6, 2026.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 7 – Long Term Debt (continued)

Principal maturities of long-term debt at December 31, 2018 are as follows:

2020	\$ 21,309
2021	22,023
2022	22,762
2023	23,525
2024	24,314
Thereafter	259,656
	<u>\$ 373,589</u>

Note 8 – Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Haines Family Foundation grants	\$ 75,000	\$ -0-
Rohrer grant for dental program	25,000	-0-
Care student fund	28,590	-0-
	<u>\$ 128,590</u>	<u>\$ -0-</u>

Net assets without donor restrictions were as follows for the year ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 1,479,785	\$ 1,396,245
Invested in property and equipment, net of related debt	4,663,840	4,689,202
	<u>\$ 6,143,625</u>	<u>\$ 6,085,447</u>

The Organization considers all net assets available to be used within one year without donor restrictions.

Note 9 – Leases

The Organization currently leases office equipment under operating lease agreements expiring at various times in years through 2020. Lease expense for each of the years ended December 31, 2018 and 2017 was \$5,494.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 9 – Leases (continued)

Future minimum lease payments under operating lease agreements as of December 31, 2018 are as follows:

2019	\$ 4,743
2020	<u>250</u>
	<u>\$ 4,993</u>

Note 10 – Overhead Ratio Calculation

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

Adjusted Program Services Expenses:	<u>2018</u>	<u>2017</u>
Program services expenses	\$ 3,699,114	\$ 3,320,703
Add: value of donated volunteer labor	<u>169,106</u>	<u>156,258</u>
Total adjusted program services expenses	<u>\$ 3,868,220</u>	<u>\$ 3,476,961</u>
Adjusted Total Expenses:		
Total adjusted program services expenses	\$ 3,868,220	\$ 3,476,961
Total supporting expenses	<u>450,027</u>	<u>523,325</u>
Adjusted total expenses	<u>\$ 4,318,247</u>	<u>\$ 4,000,286</u>
Overhead Ratio Calculation	<u>10.4%</u>	<u>13.1%</u>

The overhead ratio is calculated by dividing the total supporting expenses by the adjusted total expenses.

The total amount of donated volunteer labor hours for the years ended December 31, 2018 and 2017 totaled 19,108 and 18,514 at a rate of \$8.85 and \$8.44 per hour, respectively.

Note 11 – Contributed Food and Supplies

The Organization receives significant donations of food and supplies during the year in addition to the food that is purchased. The donated food and supplies have been recorded as both a contribution and a program expense at a value equal to the estimated cost to purchase. The value of donated food and supplies, included as non-cash contributions in the accompanying financial statements, are included in the corresponding expense accounts on the statement of activities and changes in net assets.

THE CATHEDRAL SOUP KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 12 – Retirement Plan

The Organization has a 401(k) retirement plan for the benefit of all eligible employees. The plan currently does not provide for an Organization match. However, during the year ended December 31, 2018, the Organization accrued retirement plan contributions for employees totaling \$26,063. This amount is included in employee benefits on the statement of functional expenses and is allocated on the basis of estimates of time and effort with \$21,080 to program services and \$4,983 to supporting services.

Note 13 – Supplemental Disclosure of Cash Flow Information

For the years ended December 31, 2018 and 2017, cash paid for interest was \$17,194 and \$18,906.

Non-cash investing and financing activities for the year ended December 31, 2018 are as follows:

Repayment of long-term debt	\$ 144,993
Less: non-cash repayment of long-term debt from trade-in of vehicle	<u>(6,000)</u>
Cash repayments of long-term debt	<u><u>\$ 138,993</u></u>

There were no non-cash investing and financing activities for the year ended December 31, 2017.

Note 14 – Subsequent Events

The Organization evaluated subsequent events through July 10, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.