

**THE CATHEDRAL SOUP KITCHEN, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE  
YEAR ENDED DECEMBER 31, 2018)**

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE**  
**YEAR ENDED 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	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 20

## 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, 2019, and the related statements of activities, 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, the recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to the Organization's operations. The pandemic has impacted and could further impact operations, but the ultimate effect on the Organization's future operations is unknown. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited **THE CATHEDRAL SOUP KITCHEN, INC.**'s 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Haefele, Flanagan & Co., p.c.*

Maple Shade, New Jersey  
July 16, 2020

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,000,311	\$ 1,409,001
Donated securities	-0-	70,289
Accounts receivable	128,205	109,843
Grants receivable	113,576	132,000
Promises to give	3,500	10,300
Prepaid expenses and other current assets	44,344	17,860
Inventory	12,122	13,139
Total current assets	2,302,058	1,762,432
Property and equipment, net	4,838,895	5,058,046
Promises to give, long-term, net of discount	475,928	-0-
Total assets	<u>\$ 7,616,881</u>	<u>\$ 6,820,478</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 24,049	\$ 20,617
Accounts payable	48,224	72,519
Accrued expenses and other current liabilities	45,329	62,934
Deferred contribution revenue	60,617	-0-
Deferred grant revenue	16,500	44,667
Total current liabilities	194,719	200,737
Long-term debt, net	346,287	373,589
Total liabilities	541,006	574,326
Net Assets		
Without donor restrictions		
Undesignated	1,499,630	1,453,722
Board designated	325,000	-0-
Invested in property and equipment, net of related debt	4,468,559	4,663,840
	6,293,189	6,117,562
With donor restrictions	782,686	128,590
Total net assets	7,075,875	6,246,152
Total liabilities and net assets	<u>\$ 7,616,881</u>	<u>\$ 6,820,478</u>

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

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 654,875	\$ 59,090	\$ 713,965	\$ 726,064
In-kind contributions of food and supplies	823,848	-0-	823,848	805,200
In-kind contributions of dental services	42,420	-0-	42,420	52,920
Grants - governmental	207,667	-0-	207,667	154,833
Grants - other	565,690	725,928	1,291,618	655,650
Special events, net of direct benefits of \$5,866 in the year ended December 31, 2019	176,142	-0-	176,142	147,588
Program income - contract, catering, and café	1,813,578	-0-	1,813,578	1,774,148
Program income - dental program	4,313	-0-	4,313	7,801
Interest and other investment income	14,564	-0-	14,564	6,661
Realized loss on sale of donated securities	(7,124)	-0-	(7,124)	-0-
Realized and unrealized gain on donated securities, net	-0-	-0-	-0-	5,729
Gain (loss) on disposal of property and equipment	2,167	-0-	2,167	(842)
Net assets released from restrictions	130,922	(130,922)	-0-	-0-
 Total revenue and support	 4,429,062	 654,096	 5,083,158	 4,335,752
<b>EXPENSES</b>				
Program services	3,556,246	-0-	3,556,246	3,575,751
General and administrative services	434,945	-0-	434,945	360,020
Fundraising	262,244	-0-	262,244	239,276
 Total expenses	 4,253,435	 -0-	 4,253,435	 4,175,047
 Changes in net assets	 175,627	 654,096	 829,723	 160,705
 Net assets, beginning of year	 6,117,562	 128,590	 6,246,152	 6,085,447
 Net assets, end of year	 <u>\$ 6,293,189</u>	 <u>\$ 782,686</u>	 <u>\$ 7,075,875</u>	 <u>\$ 6,246,152</u>

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019					2018
	Supporting Services					
Program	General and		Direct Benefit			
<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>to Donors</u>	<u>Total</u>	<u>Total</u>	
Personnel	\$ 1,134,680	\$ 139,028	\$ 183,237	\$ -0-	\$ 1,456,945	\$ 1,371,123
Employee benefits	107,449	13,164	17,352	-0-	137,965	158,653
Payroll taxes	105,301	12,901	17,005	-0-	135,207	129,968
In-kind contributions of food and supplies	823,848	-0-	-0-	-0-	823,848	805,200
In-kind contributions of dental services	42,420	-0-	-0-	-0-	42,420	52,920
Depreciation	273,526	25,211	-0-	-0-	298,737	290,491
Development	-0-	11,124	27,042	-0-	38,166	38,019
Direct benefit costs of special events	-0-	-0-	-0-	5,866	5,866	-0-
Facility costs - equipment, repairs, security, etc.	38,256	23,752	-0-	-0-	62,008	79,755
Fees	-0-	8,000	-0-	-0-	8,000	6,705
Insurance	-0-	101,617	-0-	-0-	101,617	83,622
Interest	12,564	1,158	-0-	-0-	13,722	17,194
Miscellaneous	-0-	1,820	-0-	-0-	1,820	224
Office expenses	-0-	18,492	-0-	-0-	18,492	15,301
Phone, internet, website	-0-	9,094	-0-	-0-	9,094	8,317
Postage and printing	-0-	9,142	11,996	-0-	21,138	22,727
Professional services	-0-	50,016	-0-	-0-	50,016	26,623
Program supplies, food, and other direct expenses	870,765	-0-	-0-	-0-	870,765	855,972
Service agreement	18,312	1,688	-0-	-0-	20,000	20,000
Special projects	-0-	-0-	5,612	-0-	5,612	55,285
Trash removal	14,770	1,394	-0-	-0-	16,164	14,872
Utilities	89,096	7,288	-0-	-0-	96,384	95,125
Vehicle expenses	25,259	56	-0-	-0-	25,315	26,951
Total expenses by function	3,556,246	434,945	262,244	5,866	4,259,301	4,175,047
Less expenses included with revenues on the Statement of Activities	-0-	-0-	-0-	(5,866)	(5,866)	-0-
Total expenses included in the expenses section of the Statement of Activities	<u>\$ 3,556,246</u>	<u>\$ 434,945</u>	<u>\$ 262,244</u>	<u>\$ -0-</u>	<u>\$ 4,253,435</u>	<u>\$ 4,175,047</u>

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

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 829,723	\$ 160,705
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	298,737	290,491
Donated securities	(7,197)	(18,842)
Loss (gain) on disposal of property and equipment	(2,167)	842
Realized loss on sale of donated securities	7,124	-0-
Realized and unrealized gain on donated securities, net	-0-	(5,729)
(Increase) decrease in:		
Accounts receivable	(18,362)	69,824
Grants receivable	18,424	(1,250)
Promises to give	6,800	(10,300)
Prepaid expenses and other current assets	(26,484)	3,267
Inventory	1,017	3,885
Promises to give, long-term	(475,928)	-0-
Increase (decrease) in:		
Accounts payable	(24,295)	(22,408)
Accrued expenses and other current liabilities	(17,605)	11,372
Deferred contribution revenue	60,617	-0-
Deferred grant revenue	(28,167)	(33,083)
Net cash provided by operating activities	<u>622,237</u>	<u>448,774</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(85,422)	(126,978)
Proceeds from sales of property and equipment	8,000	-0-
Proceeds from sales of investments	70,858	-0-
Purchase of investments	(493)	(1,216)
Net cash used in investing activities	<u>(7,057)</u>	<u>(128,194)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments on long-term debt	(23,870)	(138,993)
Net cash used in financing activities	<u>(23,870)</u>	<u>(138,993)</u>
Net increase in cash and cash equivalents	591,310	181,587
Cash and cash equivalents, beginning of year	<u>1,409,001</u>	<u>1,227,414</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,000,311</u></u>	<u><u>\$ 1,409,001</u></u>

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



**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 offered to the homeless and impoverished, 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 Accounting Pronouncement

On January 1, 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These two ASUs were adopted together, as of January 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. The Organization adopted these ASUs, and all the related amendments, using the modified retrospective method applied to all uncompleted contracts and grants as of the adoption date. The modified retrospective method of adoption requires a cumulative effect adjustment be recognized in net assets at such date. As a result of the adoption, no adjustment to revenue for periods prior to the adoption were required and the Organization did not identify any material differences in its revenue recognition methods that required modification under the new standards. Under the modified retrospective method, summarized comparative periods are not restated; therefore, the 2018 financial statements are prepared in accordance with the previous revenue recognition guidance.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

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 Hummingbird Foundation grants are classified as net assets with donor restrictions.

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.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest is received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. At December 31, 2019, conditional contributions of \$60,617, for which amounts been received in advance, have been recognized on the accompanying Statement of Financial Position.

In addition, at December 31, 2019, conditional contributions of \$22,500, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Unconditional 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 as net assets released from restrictions.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Revenue and Revenue Recognition (continued)

Program Income

The Organization recognizes program income as either a conditional contribution or an exchange transaction. Under the food provision contract with the Volunteers of America (“VOA”), the Organization provided meals to nine of VOA’s program sites. Revenue is recognized as a conditional contribution with barriers met when related services are performed and meals are provided. The VOA contract is an annual contract with a current expiration date in December 2020.

Program income also includes catering, food truck, and café revenues, which are considered exchange transactions. Revenues are recognized from the sale of food and beverage when the products are transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. Catering, food truck sales, and café revenues are recognized at the time of sale, thus, at a point in time. 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 year ended December 31, 2019 totaled 303 at an estimated fair value rate of \$140 per hour. 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.

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.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

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. All donated securities held at December 31, 2019 and 2018 are valued at level 1 inputs.

*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.

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.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at their fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution or grant revenue on the Statement of Activities. If necessary, an allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of any subsequent collections. Promises to give are to be written off when uncollectible. At December 31, 2019, no allowance was deemed necessary.

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 year ended December 31, 2019 was \$298,737.

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 year ended December 31, 2019.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Deferred Grant Revenue

The Organization records grant awards as deferred grant revenue until the stipulated purpose or time restrictions are met, at which time they are recognized as revenue. Deferred grant revenue of \$16,500 on the Statement of Financial Position includes unconditional deferred grant revenue that was received in the year ended December 31, 2019, but applies to expenditures to be incurred in the subsequent year.

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. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses may be attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable. Personnel and benefits related costs are allocated on the basis of estimates of time and effort; and facility related costs, including depreciation, interest, facility costs, service agreement, and utilities are allocated using an estimate of square footage.

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 2018 financial statements were reclassified to conform with the 2019 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, 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Recent Accounting Pronouncements Not Yet Adopted

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 Statement of Financial Position and disclosing key information about leasing arrangements. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the Statement of Financial Position as a lease liability with a corresponding right-of-use asset. The standard is effective for fiscal years beginning after December 15, 2021. 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, 2019, amounts in excess of insured limits totaled \$1,207,966. However, on January 6, 2020, the Organization transferred \$1,000,000 of their cash balance to a CDC Deposit account with a financial institution. The goal of the transfer was to secure deposits in excess of the FDIC limit.

**Note 4 – Availability and Liquidity**

The following represents the Organization’s financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,000,311
Accounts receivable	128,205
Grants receivable	113,576
Promises to give	<u>3,500</u>
Total financial assets	<u>2,245,592</u>



**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 4 – Availability and Liquidity (continued)**

Net assets with donor restrictions	782,686
Less net assets with donor restrictions expected to be met in less than one year:	
Time and purpose restrictions	( 250,000)
Purpose restrictions	( 56,758)
	<u>( 306,758)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,769,664</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 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 – Promises to Give**

In December 2019, the Organization was awarded a \$750,000 unconditional contribution from one donor receivable in three installments of \$250,000 for the calendar years 2020, 2021, and 2022. The first installment was received by the Organization in December 2019 at the time of the award. The remaining long-term promises to give of \$500,000 have been discounted to a present value using a rate similar to that of the Organization's incremental borrowing rate on the outstanding mortgage note, or 3.303%. Unconditional promises to give are estimated to be collected as follows at December 31, 2019:

In one to five years	\$ 500,000
Less: discount to present value	( 24,072)
	<u>\$ 475,928</u>

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 6 – Property and Equipment**

Property and equipment consists of the following:

Land and buildings – 1506 Federal Street	\$ 1,999,609
Land and buildings – 1514 Federal Street	3,981,392
Furniture and equipment	978,804
Vehicles	<u>215,403</u>
	7,175,208
Less: accumulated depreciation	<u>( 2,336,313)</u>
	<u>\$ 4,838,895</u>

**Note 7 – Donated Securities**

During the year ended December 31, 2019, all donated securities were sold and the proceeds from the sales were transferred to a money market account. Realized losses for the sale of donated securities included in the Statement of Activities for the year ended December 31, 2019 were \$7,124.

**Note 8 – Long Term Debt**

The Organization has a consolidated mortgage loan payable to a financial institution. At December 31, 2019, the amount owed on the loan was \$370,336, of which, the current portion was \$24,049. 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.

Principal maturities of long-term debt at December 31, 2019 are as follows:

2021	\$ 25,689
2022	26,551
2023	27,441
2024	28,361
2025	29,312
Thereafter	<u>208,933</u>
	<u>\$ 346,287</u>

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 9 – Net Assets**

Net assets with donor restrictions were as follows as of December 31, 2019:

Restrictions related to time and purpose:

For the years 2020 to 2022 to be used for various specified purposes (at discounted fair value)	\$ 725,928
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Restrictions related to purpose:

HVAC project	31,758
Student fund	<u>25,000</u>
Total purpose restrictions	56,758

Total net assets with donor restrictions	<u>\$ 782,686</u>
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Net assets without donor restrictions were as follows as of December 31, 2019:

Undesignated	\$ 1,499,630
Board designated for future purchase or construction of property and equipment	325,000
Invested in property and equipment, net of related debt	<u>4,468,559</u>
	<u>\$ 6,293,189</u>

Net assets were released from restrictions by incurring expenses to satisfy the specified restrictions in the following amounts for the year ended December 31, 2019:

Purpose restrictions:

Student fund	\$ 30,922
Administration	25,000
Culinary and banking arts program	25,000
Dental clinic	25,000
Meal program	<u>25,000</u>
Total net assets released from donor restrictions	<u>\$ 130,922</u>

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 10 – Leases**

The Organization currently leases office equipment under operating lease agreements expiring at various times in years through 2023. Lease expense for the year ended December 31, 2019 was \$4,448.

Future minimum lease payments under operating lease agreements as of December 31, 2019 are as follows:

2020	\$ 4,806
2021	4,556
2022	4,556
2023	<u>759</u>
	<u>\$ 14,677</u>

**Note 11 – Overhead Ratio Calculation**

The overhead ratio for the year ended December 31, 2019 is calculated taking into consideration the value of both the donated volunteer labor and services.

Adjusted Program Services Expenses:	
Program services expenses	\$ 3,556,246
Add: value of donated volunteer labor	<u>197,660</u>
Total adjusted program services expenses	<u>\$ 3,753,906</u>

Adjusted Total Expenses:	
Total adjusted program services expenses	\$ 3,753,906
Total supporting expenses	<u>697,189</u>
Adjusted total expenses	<u>\$ 4,451,095</u>

Overhead Ratio Calculation	<u>15.7%</u>
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The overhead ratio is calculated by dividing the total supporting expenses by the adjusted total expenses. The prior year overhead ratio, for comparison, was 13.8%.

The total amount of donated volunteer labor hours for the year ended December 31, 2019 totaled 19,766 at a rate of \$10 per hour.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 12 – 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 non-cash contribution and a corresponding program expense on the Statement of Activities at a value equal to the estimated cost to purchase.

**Note 13 – Retirement Plan**

The Organization has a 401(k) retirement plan for the benefit of all eligible employees. During the year ended December 31, 2019, the Organization accrued retirement plan catch-up contributions for employees totaling \$1,621.

**Note 14 – Supplemental Disclosure of Cash Flow Information**

For the year ended December 31, 2019, cash paid for interest was \$13,722.

There were no non-cash investing and financing activities for the year ended December 31, 2019.

**Note 15 – Subsequent Events**

The Organization evaluated subsequent events through July 16, 2020, the date these financial statements were available to be issued. Except as noted in Note 3 and as discussed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Coronavirus Pandemic**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread across many countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

In addition, multiple jurisdictions in the U.S. have declared states of emergency. The pandemic has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to the Organization's operations. The pandemic has impacted and could further impact operations by limiting volunteers, reducing both cash and non-cash donations, reducing staffing, affecting program income services, and drastically changing demand for services as a result of quarantines, facility closures, job market changes, and travel and logistics restrictions.

**THE CATHEDRAL SOUP KITCHEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 15 – Subsequent Events (continued)**

Coronavirus Pandemic (continued)

As a result of COVID-19, during this subsequent period, the Organization has reduced volunteer services, temporarily suspended the dental program except for emergency services, temporarily suspended the culinary arts job training program, and temporarily closed the café and catering services. The Organization is also taking steps in the soup kitchen to manage foot traffic to better protect guests and staff by providing food to-go.

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which includes a Small Business Paycheck Protection Program (“PPP”) under the auspices of the federal Small Business Administration (“SBA”). These funds can be used for costs related to payroll, employee health care, rent, and utilities. On April 29, 2020, the Organization borrowed \$321,127 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years and the principal and interest payments are deferred until the date the SBA compensates the lender for the forgiven amount of the loan. To the extent the funds are used for qualifying expenses under the program during the 8 to 24 week period beginning on the date of the loan origination, the Organization may apply for loan forgiveness. Management expects that its costs for payroll, employee healthcare, rent and utilities during the 8 to 24 week period will be sufficient to enable the Organization to obtain some forgiveness of the \$321,127 loan.

While the disruption caused by the pandemic was initially expected to be temporary, there is uncertainty regarding its duration. The impact of the pandemic on the Organization’s results of operations, financial position, and liquidity cannot be reasonably estimated at this time.