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**THE SOUP KITCHEN, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF FINANCIAL POSITION .....	2 - 3
STATEMENT OF ACTIVITIES .....	4
STATEMENT OF FUNCTIONAL EXPENSES .....	5
STATEMENT OF CASH FLOWS .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7 - 10

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Soup Kitchen, Inc.  
Boynton Beach, Florida

We have audited the accompanying financial statements of The Soup Kitchen, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, 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 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 entity'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 entity'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 Soup Kitchen, Inc. as of September 30, 2016, 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.

*Michael C. Becker & Co.*

West Palm Beach, Florida  
February 17, 2017

- 1 -

The Soup Kitchen, Inc.  
Statement of Financial Position  
as of September 30, 2016

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**ASSETS**

**Current Assets**

Bank of America Operating	\$	67,388
Bank of America Savings		75,632
Pay Pal		1,812
Accounts Receivable		2,035
Prepaid Insurance		905
Prepaid Payroll Taxes		5,872
Inventory		24,823
Total Current Assets	\$	178,467

**Fixed Assets**

Computers & Peripherals	\$	1,166
Leasehold Improvements		67,269
Kitchen Equipment		137,297
Vehicles		160,734
Building Construction Costs		445,737
Building Expansion Costs		104,114
Total Fixed Assets at Cost		916,317
Accumulated Depreciation		(419,422)
Total Net Fixed Assets	\$	496,895

**Land Lease**

Land Lease, 99 years effective 6/97	\$	50,000
Accumulated Amortization		(9,763)
Total Net Land Lease	\$	40,237

See accompanying notes

The Soup Kitchen, Inc.  
Statement of Financial Position (continued)  
as of September 30, 2016

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**Other Assets**

Florida Community Bank CD	\$	108,225
Florida Community Bank CD		51,746
Legacy Bank CD		169,325
Florida Community Bank CD		140,989
Security Deposit - Utilities		765
Total Other Assets		<u>471,050</u>
TOTAL ASSETS	\$	<u><u>1,186,649</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$	6,384
Total Liabilities	\$	<u>6,384</u>

**Net Assets**

Unrestricted	\$	1,180,265
Temporary Restricted		0
Total Net Assets	\$	<u>1,180,265</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,186,649</u></u>
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See accompanying notes

The Soup Kitchen, Inc.  
Statement of Activities  
For the Year Ended September 30, 2016

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**Support and Revenue**

Donations–Unrestricted	\$	7,862,624
Net assets released from restrictions		58,065
Interest		4,827
		<hr/>
TOTAL SUPPORT AND REVENUE		7,925,516

**Expenses**

Program Services Expenses	\$	7,876,844
Supporting Expenses		48,623
		<hr/>
TOTAL EXPENSES	\$	7,925,467

**INCREASE (DECREASE) IN NET ASSETS** \$ 49

NET ASSETS AT BEGINNING OF PERIOD 

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1,180,216

NET ASSETS AT END OF PERIOD \$ 

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1,180,265

See accompanying notes

The Soup Kitchen, Inc.  
Statement of Functional Expenses  
For The Year Ended September 30, 2016

	<u>Programs</u>		<u>Supporting Services</u>		Total
	Soup Kitchen	Taking Care of Babies	Management & General	Fundraising Expenses	
Food Services	\$ 7,099,032	9,953	-	-	\$ 7,108,985
Accounting, Audit, and Bookkeeping	12,678	-	2,823	-	15,501
Advertising and Promotion	803	536	-	-	1,339
Auto & Truck Expense	10,497	5,976	-	-	16,473
Baby Project Expense	1,785	10,203	-	-	11,988
Bank Charges	17	-	57	-	74
Casual Labor	1,050	-	-	-	1,050
Cleaning & Exterminating	207	126	25	-	358
Clothing	355,299	-	-	-	355,299
Consulting Fees	132	-	1,158	5,712	7,002
Depreciation	39,203	17,087	2,938	-	59,228
Dues & Subscriptions	18	-	161	-	179
Insurance	13,547	-	3,372	-	16,919
Kitchen and Other Supplies	2,918	1,619	-	-	4,537
Amortization	353	152	-	-	505
Licenses & Fees	138	-	558	-	696
Legal Fees	254	-	1,026	-	1,280
Office Expense & Supplies	3,516	-	656	208	4,380
Payroll Taxes	1,220	6,064	11,694	508	19,486
Postage & Express Services	175	-	701	-	876
Printing & Copying	244	-	982	-	1,226
Employee Benefits	3,797	2,970	733	733	8,233
Repairs & Maintenance	4,430	3,133	-	-	7,563
Security Expense	539	169	-	-	708
Special Event Expense	5,879	-	-	-	5,879
Taxes - Real Estate	2,415	1,459	-	-	3,874
Telephone	4,153	2,205	706	-	7,064
Utilities - Electric	6,753	4,432	972	-	12,157
Utilities - Waste Removal	3,715	2,032	432	-	6,179
Utilities - Water	1,131	1,012	161	-	2,304
Utilities - Gas	2,638	2,114	357	-	5,109
Wages	154,138	72,928	5,975	5,975	239,016
<b>Totals</b>	<b>\$ 7,732,674</b>	<b>144,170</b>	<b>35,487</b>	<b>13,136</b>	<b>\$ 7,925,467</b>

See accompanying notes

The Soup Kitchen, Inc.  
Statement of Cash Flows  
For The Year Ended September 30, 2016

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**Cash flows from operating activities**

Increase (decrease) in net assets	\$	49
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Decrease in accounts receivable		7,154
Decrease in accounts payable		(33,713)
Increase in inventory		(4,137)
Decrease in prepaid payroll tax		3,107
Decrease in prepaid insurance		1,108
Interest on investments		(4,800)
Depreciation and amortization		59,733
Contributions of property and equipment		(2,000)
<b>Net cash provided (used) by operating activities</b>	<b>\$</b>	<b>26,501</b>

**Cash flows from investing activities**

Purchase of property and equipment	\$	(9,294)
<b>Net Cash provided by (used in) investing activities</b>	<b>\$</b>	<b>(9,294)</b>

**Cash flows from financing activities**

<b>Net cash provided by (used in) financing activities</b>		<b>-</b>
Net increase (decrease) in cash and cash equivalents		17,207
Cash and cash equivalents at beginning of year		127,625
<b>Cash and cash equivalents at end of year</b>	<b>\$</b>	<b>144,832</b>

Interest paid: 0  
Income tax paid: 0

See accompanying notes

**NOTES TO FINANCIAL STATEMENTS**  
**The Soup Kitchen, Inc.**  
**For the Year Ended September 30, 2016**

**1. Organization**

***a. Organization and nature of activities***

The Soup Kitchen, Inc. (the Organization) was incorporated under the laws of the State of Florida in 1983. The Organization operates as a dispensary for distributing food and hot meals. The Organization sorts, stores, and distributes food to needy individuals and families.

The Organization is a 501 (c)(3) non-profit organization, established in 1983 to help the less fortunate members of the community.

The Organization's educational program, "Taking Care of our Babies" has been in effect since 2008.

The Organization collects clothing, diapers, furniture, appliances and makes them available to those in need without cost.

In conjunction with the Palm Beach County Health Department, the Soup Kitchen provides free vaccinations (flu, school, elderly, etc) during the course of the year.

The Organization functions as an emergency backup kitchen facility for the Red Cross, 2-1-1, United Way and several other agencies.

Since 2015, the Organization delivers meals to home bound seniors and physically challenged residents in the Boynton Beach area through its Meals on Wheels program.

***b. Basis of accounting***

The financial statements of the Organization have been prepared on the accrual basis of accounting.

***c. Financial Statement Presentation***

The Organization reports information regarding its financial position and activities according to classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of September 30, 2016, the Organization had no permanently restricted net assets.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**The Soup Kitchen, Inc.**  
**For the Year Ended September 30, 2016**

***d. Food inventory***

Food items obtained from donors are presented at donated value, which was the estimated fair value on the date of contribution. Purchased items are valued at cost.

***e. Property and equipment***

Property and equipment is recorded at cost to the Organization or, if donated, at estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,000. Depreciation is based on the straight-line or declining balance method over the estimated useful lives of assets acquired.

***f. Contributions***

Contributions are recognized when received by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

***g. Allowance for doubtful accounts***

The Organization did not provide for an allowance for doubtful accounts, as all amounts were collected in the subsequent month to the year end September 30, 2016.

***h. Income tax status***

The Organization is generally exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(c). The Organization's returns are generally subject to examination by the Internal Revenue Service for three years after filing. Therefore, years ended 2014, 2015, and 2016 are still subject to such regulations.

***i. Donated goods and services***

Donated goods have been recognized at the estimated fair value on the date of contribution.

Certain donated services are recognized at their estimated fair value, at the time services are rendered. Other voluntary services are not recognized as contributions in the financial statements since the recognition criteria were not met.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**The Soup Kitchen, Inc.**  
**For the Year Ended September 30, 2016**

***j. Compensated absences***

Paid employees are entitled to paid vacations, sick days and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the Organization's policy to recognize the cost of compensated absences when actually paid.

***k. Cash and cash equivalents***

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

***l. Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**2. Advertising**

Advertising and promotional costs are charged to expense as incurred.

**3. Investments**

Investments are comprised of \$470,285 in certificates of deposit.

**4. Functional programs**

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**5. Designation of unrestricted net assets**

It is the policy of the Organizations's Board of Directors to periodically review the Organizations's needs and goals regarding needed repairs, improvements and renovations, and equipment needs in the future. The Board may then designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**The Soup Kitchen, Inc.**  
**For the Year Ended September 30, 2016**

**6. Evaluation of subsequent events**

The Organization evaluated subsequent events through February 17, 2017, the date of the auditor's report (which is also the date the financial statements were available to be issued) and concluded that no events or transactions occurred during that period which require recognition or disclosure.

**7. Land lease**

The Organization leased the land on which it is situated for 99 years in June, 1997. The original cost was \$50,000. The amortization of the land lease is reflected on these financial statements.

**8. Concentrations of credit risk arising from cash deposits in excess of insured limits**

The Organization maintains cash balances at several banking institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization exceeded the FDIC limit during the year ended September 30, 2016.

**9. On-going Compensation Claim**

A compensation claim was initiated by a former employee concerning an accident which occurred on December 12, 2015. The Organization's insurance carrier is involved in the claim process. The outcome of this claim is unknown as of February 17, 2017.