

SAMARITAN MINISTRY OF GREATER WASHINGTON

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>Page No.</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 - 15



Independent Auditor's Report

To The Board of Directors
Samaritan Ministry of Greater Washington
Washington, DC

We have audited the accompanying statements of financial position of Samaritan Ministry of Greater Washington ("Samaritan Ministry") (a nonprofit organization) as of December 31, 2013, and the related statement of activities, functional expenses, and cash flows for the nine months 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 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 Samaritan Ministry of Greater Washington as of December 31, 2013, and the change in its net assets and its cash flows for the nine months then ended in conformity with the accounting principles generally accepted in the United States of America.

Ribis, James & Mausca, P.A.

Washington, DC
June 18, 2014

**SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 359,135
Investments - mutual funds	15,712
Accounts receivable	15,905
Promises to give, net	42,009
Prepaid expenses	6,581
Total Current Assets	<u>439,342</u>

OTHER ASSETS

Property and equipment, net	647,746
Investment in partnership interest	450,406
Promises to give, net of current portion	121,337
Total Other Assets	<u>1,219,489</u>

TOTAL ASSETS

\$ 1,658,831

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 29,887
Accrued expenses	19,261
Line of credit	39,891
Notes payable	111,011
Total Current Liabilities	<u>200,050</u>

OTHER LIABILITIES

Notes payable, net of current portion	451,956
Total Liabilities	<u>652,006</u>

NET ASSETS

Unrestricted net assets:	
Undesignated	804,805
Board designated	28,430
Total unrestricted net assets	<u>833,235</u>
Temporarily restricted net assets	173,590
Total Net Assets	<u><u>1,006,825</u></u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,658,831

See independent auditor's report and accompanying notes to financial statements.

SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF ACTIVITIES
NINE MONTHS ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 478,909	\$ 45,926	\$ 524,835
In-kind goods contributions	31,440	-	31,440
Federal and local government contracts	72,777	-	72,777
Interest income	305	-	305
Net appreciation in fair value of investments	18,239	-	18,239
Net assets released from restrictions	123,523	(123,523)	-
Total Revenue and Support	<u>725,193</u>	<u>(77,597)</u>	<u>647,596</u>
EXPENSES			
Program services:			
HIV/AIDS Burial Assistance	56,953	-	56,953
Employment and Social Programs	455,336	-	455,336
Total program services	<u>512,289</u>	<u>-</u>	<u>512,289</u>
Support services:			
Management and general	49,723	-	49,723
Fundraising	80,400	-	80,400
Total support services	<u>130,123</u>	<u>-</u>	<u>130,123</u>
Total Expenses	<u>642,412</u>	<u>-</u>	<u>642,412</u>
CHANGE IN NET ASSETS	82,781	(77,597)	5,184
NET ASSETS, beginning of period	<u>750,454</u>	<u>251,187</u>	<u>1,001,641</u>
NET ASSETS, end of period	<u><u>\$ 833,235</u></u>	<u><u>\$ 173,590</u></u>	<u><u>\$ 1,006,825</u></u>

See independent auditor's report and accompanying notes to financial statements.

**SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
NINE MONTHS ENDED DECEMBER 31, 2013**

	Program Services			Support Services		Total
	HIV/AIDS Burial Assistance	Employment & Social Programs	Total Program Services	Management and General	Fundraising	
Salaries and related expenses						
Salaries	\$ 19,781	\$ 218,026	\$ 237,807	\$ 17,042	\$ 47,081	\$ 301,930
Payroll taxes	1,483	16,228	17,711	1,259	3,506	22,476
Employee benefits	2,749	30,077	32,826	2,333	6,499	41,658
Stipends	-	36,692	36,692	-	-	36,692
Total salaries and related	24,013	301,023	325,036	20,634	57,086	402,756
Accounting	-	-	-	5,939	-	5,939
Bank and credit card fees	-	-	-	1,185	-	1,185
Client assistance	20,552	21,007	41,559	-	-	41,559
Consultants	1,183	12,975	14,158	12,041	2,803	29,002
Depreciation expense	883	9,664	10,547	750	2,088	13,385
Equipment	306	5,230	5,536	259	724	6,519
Event Expense	-	5,093	5,093	-	12,029	17,122
In-kind food and clothing	-	31,440	31,440	-	-	31,440
Insurance	443	4,846	5,289	376	1,047	6,712
Interest expense	-	14,253	14,253	2,589	1,506	18,348
Miscellaneous	-	1,434	1,434	652	-	2,086
Office expenses	-	-	-	1,064	-	1,064
Postage and delivery	140	301	441	205	300	946
Printing and copying	1,243	7,220	8,463	513	1,429	10,405
Repairs and maintenance	-	2,084	2,084	85	94	2,263
Rent	4,140	21,285	25,425	-	-	25,425
Staff development	107	1,172	1,279	91	253	1,623
Supplies	1,896	355	2,251	2,103	87	4,441
Telephone and internet	1,074	7,813	8,887	200	222	9,309
Travel	69	398	467	596	243	1,306
Utilities	904	7,743	8,647	441	489	9,577
Total Expense	\$ 56,953	\$ 455,336	\$ 512,289	\$ 49,723	\$ 80,400	\$ 642,412

See independent auditor's report and accompanying notes to financial statements.

**SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF CASH FLOWS
NINE MONTHS ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets (deficit)	\$ 5,184
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	13,385
Net appreciation in fair value of investments	(18,239)
(Increase) decrease in:	
Accounts receivable	(11,721)
Promises to give	77,104
Prepaid expenses	1,910
Increase (decrease) in:	
Accounts payable	24,425
Accrued liabilities	(9,080)
Deferred revenue	(21,880)
Net Cash Provided By Operating Activities	61,088

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	16,700
Purchases of property and equipment	(27,948)
Net Cash Used by Investing Activities	(11,248)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit	40,000
Principal payments on line of credit	(109)
Proceeds from long term debt	100,000
Principal payments on long term debt	(106,622)
Net Cash Provided by Financing Activities	33,269

NET CHANGE IN CASH

CASH, beginning of year 276,026

CASH, end of year \$ 359,135

Cash paid for interest: \$ 18,348

SUPPLEMENTAL NON-CASH DISCLOSURE: During the nine months ended December 31, 2013, Samaritan Ministry disposed of fully depreciated equipment with an original cost basis of \$30,847

See independent auditor's report and accompanying notes to financial statements.

**SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Organization

Samaritan Ministry of Greater Washington (“Samaritan Ministry”) is an independent, non-profit organization incorporated in the District of Columbia in 1985. Samaritan Ministry was organized to serve the religious, charitable and educational needs of the Greater Washington, DC community. This is accomplished by providing support and assistance to, and fostering growth and increased self-reliance among, individuals and families who are homeless, in poverty, unemployed or otherwise in need and who seek to take next steps toward better lives. A majority of Samaritan Ministry’s revenue consists of contributions from churches, corporations and individuals, as well as reimbursements from government grants.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual method of accounting, which recognizes revenue when assessed or earned and expenses when incurred.

Financial Statement Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Samaritan Ministry and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either actions of Samaritan Ministry and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Samaritan Ministry. There were no permanently restricted net assets as of December 31, 2013.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, Samaritan Ministry considers all money market accounts and highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in equities and mutual funds are reported at fair value, which is based on quoted market prices as of the last day of the fiscal year. Interest income is reported when earned. Dividends are recorded on the ex-dividend. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments bought and sold as well as held during the year.

Promises To Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method calculated to depreciate the cost of the applicable assets over their estimated useful lives. All assets with a useful life of greater than one year are capitalized while repairs and maintenance are generally expensed.

The following is the estimated useful lives of property and equipment:

Furniture	-	7 years
Equipment	-	5 years
Leasehold improvements	-	10 years
Building	-	40 years

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions

Grants and unconditional contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Federal and local government contract revenues are recognized as related expenditures are incurred. Revenue which is not currently recognized is presented as a deferred revenue liability in the accompanying statement of financial position.

Donated Services

Many volunteers contribute numerous hours supporting and promoting activities that assist homeless individuals and families. The value of these services has not been reflected in these financial statements. Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills that would typically need to be purchased if not provided. These services are recorded at fair value of the services provided.

Functional Allocation of Expenses

Samaritan Ministry allocates expenses on a functional basis among their various programs and support services. The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services that benefited from such costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE C – INCOME TAXES

Samaritan Ministry is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Samaritan Ministry has been classified as an organization that is not a private foundation under Section 590(a)(1).

Samaritan Ministry believes that it has appropriate support for any tax provisions taken, and as such, does not have any uncertain tax provisions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

Samaritan Ministry's income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Samaritan Ministry's form 990 tax returns for the years ended March 31, 2011 through 2013 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priorities to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1* Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the organization has the ability to access.

- Level 2* Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

- Level 3* Inputs are unobservable and significant to the fair value measurement.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the net asset value (“NAV”) of shares held at year end.

Limited Partnership interest: Valued at the most recent appraised value of project plus other assets less liabilities held by the partnership as of the most recent annual financial statements of the partnership; multiplied by the percent interest in capital held by Samaritan Ministry (3.375%); less minority interest discount (15%).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although Samaritan Ministry’s management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, Samaritan Ministry’s investments at fair value as of December 31, 2013:

	Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 15,712	\$ -	\$ -	\$ 15,712
Interest in Limited Partnership	\$ -	-	450,406	450,406
Total	\$ 15,712	\$ -	\$ 450,406	\$ 466,118

Investment income consists of the following for the nine months ended December 31, 2013:

Interest and dividends	\$ 305
Net appreciation (depreciation) in investments	18,239
	\$ 18,544

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE E – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows as of December 31, 2013,

	2014		\$ 107,999
	2015		68,288
	2016		42,909
	2017		9,890
	2018		<u>250</u>
			229,336
	Less: allowance for doubtful promises		<u>(65,990)</u>
	Total		<u>\$ 163,346</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and consists of the following as of December 31, 2013:

		\$ 264,802
Land		397,203
Building		23,148
Building improvements		<u>70,163</u>
Furniture and equipment		755,316
Subtotal		<u>(107,570)</u>
Less: accumulated depreciation		<u>\$ 647,746</u>
Property and equipment, net		

Depreciation expense for the nine months ended December 31, 2013 totaled \$13,385.

NOTE G – LIMITED PARTNERSHIP INTEREST

On October 15, 2010, Samaritan Ministry received 3.375% limited partnership interests in an Illinois limited partnership. The partnership interests were valued at \$412,814 on the date of the transfer. During the nine months ended December 31, 2013, Samaritan Ministry received \$16,875 of distributions and partnership income of \$368.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE H – LINES OF CREDIT

Samaritan Ministry has an available line of credit from a bank, due on January 26, 2014, with an available balance of \$250,000, under which Samaritan Ministry may borrow at the bank’s prime rate plus 1.0%, (but not less than 5.0%). As of December 31, 2013, the outstanding balance on this line of credit was \$39,891.

Samaritan Ministry has an available line of credit from another bank, due on October 25, 2014, with an available balance of \$100,000, under which Samaritan Ministry may borrow at the bank’s prime rate plus 1.0% (but not less than 5.0%). There were no amounts outstanding under this line of credit as of December 31, 2013.

NOTE I – OPERATING LEASE

During November 2012, Samaritan Ministry entered into an operating lease for a copier. The lease is for a term of sixty months and requires monthly payments of \$390. Future minimum payments under this lease agreement are as follows:

For the year ending December 31:

2014	\$	4,683
2015		4,683
2016		4,683
2017		<u>3,903</u>
Total	\$	<u>17,952</u>

NOTE J – NOTES PAYABLE

On June 29, 2009, Samaritan Ministry entered into an agreement to borrow \$495,000 to purchase a property located at 1516 Hamilton Street, NW, Washington, DC. On October 29, 2012, this loan was refinanced. The new loan matures on October 29, 2022. Principal and interest on the refinanced loan are due monthly based on a 25 year amortization schedule with a balloon payment of all outstanding interest and principal due at maturity. The loan requires monthly payments of \$2,658 through October 29, 2022 at which point the remaining principal and interest balance is due. Interest on the loan is accrued at 4.5% for the first five years of the loan and at the 5 year US Treasury rate plus 350 basis points, with a minimum of no less than 4.5%, thereafter. As of December 31, 2013, the balance of this obligation was \$462,967.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE J – NOTES PAYABLE - continued

On December 6, 2012, Samaritan Ministry entered into an agreement to borrow \$100,000 from a church in Washington, DC. This note matured on April 30, 2013, at which point the full balance of principal and accrued interest was repaid. The note accrued interest at a rate of 1%. As of December 31, 2013, this note was paid in full with no outstanding balance.

On October 28, 2013, Samaritan entered into another agreement to borrow \$100,000 from the same church in Washington, DC as above. This note matures on April 30, 2014 at which point the full balance of principal and accrued interest is due. The note accrues interest at a rate of 1%. As of December 31, 2013, the outstanding balance on this note totaled \$100,000.

Future minimum payments of long-term debt are as follows:

For the year ending December 31:	
2014	\$ 111,011
2015	11,524
2016	12,004
2017	12,620
2018	13,208
Thereafter	<u>402,600</u>
Total	<u>\$ 562,967</u>

NOTE K – BOARD DESIGNATED NET ASSETS

As of December 31, 2013, net assets totaling \$28,430 were board designated for future reserves.

NOTE L – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of December 31, 2013:

Purpose restricted:	
Building improvement	\$ 7,254
Equipment	2,865
Acts 3	<u>125</u>
Total purpose restricted	10,244
Time restricted	<u>163,346</u>
Total	<u>\$ 173,590</u>

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(continued)

NOTE M – DONATED GOODS AND SERVICES

There were no donated professional services which met the criteria for recognition in the financial statements for the nine months ended December 31, 2013. Additionally, Samaritan Ministry received donated clothing and food totaling \$31,440 for the nine months ended December 31, 2013 that were recorded to the financial statements.

For the nine months ended December 31, 2013, various volunteers provided other services to Samaritan Ministry which do not require specialized skills. The estimated value of these services totaling \$348,017 has not been recognized in the accompanying financial statements.

NOTE N – RETIREMENT PLAN

The Samaritan Ministry maintains a Section 403(b) pension plan (the “Plan”) for its employees. Employee contributions are optional. The employer match begins after six months of service and is determined by the Board on an annual basis up to a certain level per participant. The Samaritan Ministry contributed \$550 to the Plan for the benefit of its employees during the nine months ended December 31, 2013. Employees are immediately vested in their voluntary contributions and in Samaritan Ministry’s contributions.

NOTE O – CONCENTRATION OF CREDIT RISK

The Samaritan Ministry maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Samaritan Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

NOTE P – SUBSEQUENT EVENTS

Samaritan Ministry management has evaluated subsequent events for potential required disclosures through June 18, 2014, the date the financial statements are available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.