

SAMARITAN MINISTRY OF GREATER WASHINGTON

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

DECEMBER 31, 2016

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Samaritan Ministry of Greater Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

Samaritan Ministry of Greater Washington
Independent Auditor's Report
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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, 2016, and the change 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.

James Marusa & McQuade PA

Washington, DC
July 3, 2017

**SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS

Cash	\$ 207,716
Investments	37,713
Accounts receivable	52,220
Promises to give, current portion, net	88,937
Prepaid expenses	14,006
Total Current Assets	<u>400,592</u>

OTHER ASSETS

Property and equipment, net	617,176
Investment in limited partnership	450,406
Promises to give, net of current portion	19,279
Total Other Assets	<u>1,086,861</u>

TOTAL ASSETS

\$ 1,487,453

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 21,714
Accrued expenses	54,260
Line of credit	100,000
Loan payable, current portion	12,620
Total Current Liabilities	<u>188,594</u>

OTHER LIABILITIES

Loan payable, net of current portion	420,433
Total Liabilities	<u>609,027</u>

NET ASSETS

Undesignated	762,229
Board designated	30,590
Total unrestricted	<u>792,819</u>
Temporarily restricted	85,607
Total Net Assets	<u>878,426</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,487,453

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

SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 614,722	\$ 69,592	\$ 684,314
Contributions - Strive DC	78,399	-	78,399
In-kind contributions	14,021	-	14,021
Federal and local government contracts	107,308	-	107,308
Other contract revenue	9,109	-	9,109
Fundraising	72,152	-	72,152
Interest and dividends	36,017	-	36,017
Other income	3,339	-	3,339
Net depreciation in fair value of investments	(2,043)	-	(2,043)
Net assets released from restrictions	102,309	(102,309)	-
Total Revenue and Support	1,035,333	(32,717)	1,002,616
EXPENSES			
Program Services:			
HIV/AIDS Burial Assistance	65,577	-	65,577
Job Training	101,354	-	101,354
Social Services	691,370	-	691,370
Total Program Services	858,301	-	858,301
Support Services:			
Management and general	104,485	-	104,485
Fundraising	105,367	-	105,367
Total Support Services	209,852	-	209,852
Total Expenses	1,068,153	-	1,068,153
CHANGE IN NET ASSETS	(32,820)	(32,717)	(65,537)
NET ASSETS, beginning of year	825,639	118,324	943,963
NET ASSETS, end of year	\$ 792,819	\$ 85,607	\$ 878,426

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

SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services				Support Services		
	HIV/AIDS Burial Assistance	Job Training	Social Services	Total Program Services	Management and General	Fundraising	Total
Salaries and related expenses							
Salaries	\$ 25,235	\$ 70,114	\$ 354,046	\$ 449,395	\$ 26,535	\$ 51,844	\$ 527,774
Payroll taxes	1,917	5,327	26,913	34,157	2,019	3,939	40,115
Employee benefits	4,728	13,137	66,366	84,231	12,652	9,714	106,597
Stipends	-	-	36,212	36,212	-	-	36,212
Total Salaries and Related Expenses	<u>31,880</u>	<u>88,578</u>	<u>483,537</u>	<u>603,995</u>	<u>41,206</u>	<u>65,497</u>	<u>710,698</u>
Accounting	-	-	-	-	6,500	-	6,500
Bank and credit card fees	-	-	-	-	3,978	-	3,978
Board/administrative	-	-	-	-	3,358	-	3,358
Client assistance	21,880	-	21,277	43,157	-	-	43,157
Communications	-	-	9,284	9,284	548	3,321	13,153
Consultants	1,104	3,068	11,501	15,673	29,561	5,216	50,450
Depreciation	1,023	2,843	14,361	18,227	1,076	2,102	21,405
Equipment	785	2,181	11,020	13,986	827	1,613	16,426
Event- catering and materials	898	2,495	14,509	17,902	946	3,749	22,597
Gala- catering and materials	-	-	-	-	-	16,374	16,374
In-kind food and clothing	-	-	14,021	14,021	-	-	14,021
Insurance	677	1,880	9,497	12,054	6,311	1,390	19,755
Interest	-	-	18,020	18,020	5,044	1,517	24,581
Miscellaneous	-	-	-	-	-	1,646	1,646
Postage and delivery	111	309	1,559	1,979	116	228	2,323
Repairs and maintenance	-	-	6,953	6,953	303	273	7,529
Rent	6,404	-	39,704	46,108	1,680	1,517	49,305
Supplies	91	-	8,124	8,215	2,103	87	10,405
Telephone and internet	724	-	13,653	14,377	403	363	15,143
Travel	-	-	1,314	1,314	-	-	1,314
Utilities	-	-	13,036	13,036	525	474	14,035
Total Expense	<u>\$ 65,577</u>	<u>\$ 101,354</u>	<u>\$ 691,370</u>	<u>\$ 858,301</u>	<u>\$ 104,485</u>	<u>\$ 105,367</u>	<u>\$ 1,068,153</u>

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

**SAMARITAN MINISTRY OF GREATER WASHINGTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (65,537)
Adjustments to reconcile changes in net assets to net cash used for operating activities:	
Depreciation	21,405
Net depreciation in fair value of investments	2,043
(Increase) decrease in:	
Accounts receivable	(34,316)
Promises to give, net	30,604
Prepaid expenses	(3,294)
Increase (decrease) in:	
Accounts payable	14,341
Accrued expenses	22,881
Net Cash Used for Operating Activities	<u>(11,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	17,171
Purchases of investments	(28,535)
Purchases of property and equipment	(11,961)
Net Cash Used for Investing Activities	<u>(23,325)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	100,000
Principal payments on line of credit	(50,000)
Principal payments on loan payable	(9,800)
Net Cash Provided by Financing Activities	<u>40,200</u>
NET CHANGE IN CASH	5,002
CASH, beginning of year	<u>202,714</u>
CASH, end of year	<u><u>\$ 207,716</u></u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u><u>\$ 24,581</u></u>

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

**SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 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 set goals and take next steps to meet those goals to achieve a more sustainable, purposeful life. On August 4, 2016, Samaritan Ministry acquired STRIVE DC, INC., a non-profit organization, and assumed operations to provide enhanced job-readiness training under the model developed by and licensed from STRIVE INTERNATIONAL. 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

Samaritan Ministry prepares its financial statements on the accrual method of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the related obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic Not-for-Profit Entities. In accordance with the topic, Samaritan Ministry is required to report information regarding its financial position and activities according to three classes of net assets. 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, 2016.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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 consist of Samaritan Ministry's share of a master trust investment arrangement (pooled investments) with The Episcopal Diocese of Washington, and mutual funds and common stock are reported at fair value. The underlying assets consist primarily of mutual funds. The pooled investments are managed by independent investment managers and securities are held in safekeeping by a bank custodian. Interest and dividend income is recognized when earned. Net appreciation (depreciation) in the fair value includes gains and losses on units 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
Building improvements	-	10 years
Building	-	39 years

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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 as well as other 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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 information 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 information returns for the years 2012 through 2015 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 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:

- | | |
|----------------|--|
| <i>Level 1</i> | Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the organization has the ability to access. |
| <i>Level 2</i> | 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 |
| <i>Level 3</i> | Inputs are unobservable and significant to the fair value measurement. |

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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 underlying securities of the pooled investment funds, common stocks and mutual funds are classified using level 1 inputs since they are valued based on observable market prices. The pooled investment funds consist of a portion of an investment portfolio belonging to the Episcopal Diocese of Washington which contained only level one mutual funds as of December 31, 2016.

The preceding method 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 presents Samaritan Ministry’s investments measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments	\$ 30,590	\$ -	\$ -	\$ 30,590
Common stock	937	-	-	937
Mutual funds (equity)	6,186	-	-	6,186
Total	<u>\$ 37,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,713</u>

NOTE E – UNCONDITIONAL PROMISES TO GIVE

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

2017	\$ 120,541
2018	16,931
2019	<u>2,348</u>
	139,821
Less: allowance for doubtful promises	<u>(31,605)</u>
Total	<u>\$ 108,216</u>

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(continued)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2016:

Land	\$ 264,802
Building	397,203
Building improvements	33,948
Furniture and equipment	<u>53,475</u>
Subtotal	749,428
Less: accumulated depreciation	<u>(132,252)</u>
Property and Equipment, Net	<u>\$ 617,176</u>

Depreciation expense as of December 31, 2016 totaled \$21,405.

NOTE G – LIMITED PARTNERSHIP INTEREST

On October 15, 2010, Samaritan Ministry received a donation of 3.375% limited partnership interest in an Illinois limited partnership. Samaritan Ministry initially recorded its limited partnership investment at the fair value at the date the investment was donated and thereafter carries such investments at the lower of historical donated value or fair value. Distributions and partnership income are recognized as interest and dividends in the statement of activities when received. Interest and dividend income from the limited partnership was \$36,017 for the year ended December 31, 2016.

NOTE H – LINE OF CREDIT

Samaritan Ministry secured a line of credit with a bank for up to \$250,000, under which Samaritan Ministry may borrow at the bank's prime rate plus 1.0%, but not less than 5.0% per annum. The line of credit is secured by Samaritan Ministry's general assets. As of December 31, 2016, the outstanding balance on the line was \$100,000.

NOTE I – LOAN PAYABLE

On June 29, 2009, Samaritan Ministry entered into an agreement to borrow \$495,000 to purchase property located at 1516 Hamilton Street, NW, Washington, DC. On October 29, 2012, the principal loan balance was refinanced and is scheduled to mature on October 29, 2022. The loan is secured by the financed property. Principal and interest payments of \$2,658 are due monthly based on a 25 year amortization schedule with a balloon payment of outstanding interest and principal due at maturity. Interest on the loan accrues at 4.5% per annum for the first five years of the loan and thereafter, accrues at the five year US Treasury rate plus 350 basis points, with a minimum of no less than 4.5% per annum. As of December 31, 2016, the outstanding principal balance was \$433,053.

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(continued)

NOTE I – LOAN PAYABLE (continued)

Future minimum payments are as follows:

For the year ending December 31:

2017		\$	12,620
2018			13,208
2019			13,824
2020			14,417
2021			15,139
Thereafter			<u>363,845</u>
Total			<u>\$ 433,053</u>

NOTE J – 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 total \$3,903 during the year ending December 31, 2017.

NOTE K – BOARD DESIGNATED NET ASSETS

As of December 31, 2016, net assets totaling \$30,590 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, 2016:

Purpose restricted:	
Acts 3	\$ <u>770</u>
Total Purpose Restricted	770
Time restricted	<u>84,837</u>
Total	<u>\$ 85,607</u>

SAMARITAN MINISTRY OF GREATER WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(continued)

NOTE M – IN-KIND CONTRIBUTIONS

There were no donated services which met the criteria for recognition in the financial statements for the year ended December 31, 2016. Additionally, Samaritan Ministry received donated clothing and food totaling \$14,021 for the year ended December 31, 2016 and recognized in the statement of activities.

For the year ended December 31, 2016, various volunteers provided other services to Samaritan Ministry which do not require specialized skills. The estimated value of these services totaling \$340,868 has not been recognized in the accompanying financial statements.

NOTE N – RETIREMENT PLAN

Samaritan Ministry maintains a Section 403(b) pension plan (the “Plan”) for its employees. Employees are eligible for an employer match after six months of service and is determined by the Board of Directors on an annual basis up to a certain level per participating employee. Samaritan Ministry contributed \$3,800 to the Plan for the benefit of its employees during the year ended December 31, 2016. Employees are immediately vested in their voluntary contributions and in Samaritan Ministry’s contributions.

NOTE O – CONCENTRATION OF CREDIT RISK

Samaritan Ministry maintains its cash in bank accounts that, at times, may exceed federally insured limits. 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 July 3, 2017 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 recognition or disclosure.