

**CAPITOL HILL GROUP MINISTRY, INC.**

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

**December 31, 2017 AND 2016**

**CAPITOL HILL GROUP MINISTRY, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Capitol Hill Group Ministry, Inc.

We have audited the accompanying financial statements of Capitol Hill Group Ministry, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statement of activities 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 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 Capitol Hill Group Ministry, Inc. as of December 31, 2017, 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.

***Other Matter-2016 Financial Statements***

The financial statements of Capitol Hill Group Ministry, Inc. as of December 31, 2016, were audited by other auditors whose report dated September 1, 2017 expressed an unmodified opinion on those statements.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Luxemburg + Bronfin, LLC*

Baltimore, Maryland  
October 10, 2018

**CAPITOL HILL GROUP MINISTRY, INC**

**Statements of Financial Position  
December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 313,325	\$ 216,846
Grant receivable	807,444	695,225
Accounts receivable - other	1,602	1,273
Security deposits	18,261	18,558
Prepaid expenses	11,056	33,305
Total current assets	1,151,688	965,207
Other assets		
Investments	154,533	153,961
Fixed assets		
Property and equipment	473,401	472,751
Less accumulated depreciation	(189,680)	(167,934)
Total fixed assets	283,721	304,817
Total assets	\$ 1,589,942	\$ 1,423,985
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 6,503	\$ 18,841
Accrued expenses	64,315	39,649
Escrow fund held for clients	-	197
Deferred revenue	593,426	547,248
Total current liabilities	664,244	605,935
Net assets, unrestricted		
Unrestricted	895,698	797,840
Temporarily restricted	30,000	20,210
Total net assets	925,698	818,050
Total liabilities and net assets	\$ 1,589,942	\$ 1,423,985

See notes to financial statements

**CAPITOL HILL GROUP MINISTRY, INC**  
**Statements of Activities**  
**For the Years Ended December 31, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 303,654	\$ 30,000	\$ 333,654	\$ 218,258	\$ 30,000	\$ 248,258
Grants	1,833,121	-	1,833,121	1,442,346	-	1,442,346
Fundraising income, net	51,653	-	51,653	36,544	-	36,544
Unrealized gain (loss)	(75)	-	(75)	(11)	-	(11)
Interest and dividend income	944	-	944	975	-	975
Other income	-	-	-	548	-	548
Net assets released from restrictions	20,210	(20,210)	-	9,790	(9,790)	-
	<b>2,209,507</b>	<b>9,790</b>	<b>2,219,297</b>	<b>1,708,450</b>	<b>20,210</b>	<b>1,728,660</b>
Functional expenses						
Program services			-			
Homeless services	1,473,706	-	1,473,706	1,173,134	-	1,173,134
Social services	421,199	-	421,199	380,076	-	380,076
Support services						
Management and general	201,688	-	201,688	180,643	-	180,643
Fundraising	15,056	-	15,056	32,621	-	32,621
	<b>2,111,649</b>	<b>-</b>	<b>2,111,649</b>	<b>1,766,474</b>	<b>-</b>	<b>1,766,474</b>
Change in net assets	97,858	9,790	107,648	(58,024)	20,210	(37,814)
Net assets						
Beginning of year	797,840	20,210	818,050	855,864	-	855,864
End of year	<b>\$ 895,698</b>	<b>\$ 30,000</b>	<b>\$ 925,698</b>	<b>\$ 797,840</b>	<b>\$ 20,210</b>	<b>\$ 818,050</b>

See notes to financial statements

**CAPITOL HILL GROUP MINISTRY, INC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 107,648	\$ (37,814)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	21,746	18,414
(Increase) decrease in:		
Accounts receivable	(112,548)	(474,467)
Security deposits	100	(18,338)
Prepaid expenses	22,249	(21,182)
Increase (decrease) in:		
Accounts payable	(12,338)	11,375
Accrued expenses	24,666	20,326
Deferred revenue	46,178	387,207
Net cash provided by (used in) operating activities	97,701	(114,479)
Cash flows from investing activities		
Capital expenditures	(650)	(38,445)
Change in investments	(572)	-
Net cash used in investing activities	(1,222)	(38,445)
Net increase (decrease) in cash	96,479	(152,924)
Cash, beginning of year	216,846	369,770
Cash, end of year	\$ 313,325	\$ 216,846

See notes to financial statements

# CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

## **Note 1      Organization and Nature of Operation**

### *Nature of Operations*

Capitol Hill Group Ministry, Inc. (the Organization) began operations in 1967 and is located in Washington, D.C. The Organization is a cutting-edge, effective catalyst for change that helps homeless people and those at risk of becoming homeless throughout D.C. which transforms their lives. The Organization is known for excellence at providing empowering human services, its highly effective organization, and engagement of our community as partners in its work.

### *Description of Services and Programs*

#### **Family Homeless Prevention Program**

Our Prevention Program stabilizes families at risk of becoming homeless through mediation, flexible financial assistance and by connecting them to supportive resources. Using a person-centered approach, our specialists work with families to create both short and long-term housing plans so that they can avoid homelessness and the trauma and disruption associated with a shelter stay.

#### **Family Re-Housing and Stabilization Program**

The Family Re-Housing and Stabilization Program (FRSP), or Rapid Rehousing, is a program designed to provide short-term rental assistance to homeless families in DC. Clients work with our case managers to set goals for greater housing and economic self-sufficiency.

#### **Permanent Supportive Housing**

Our Permanent Supportive Housing (PSH) Program provides permanent housing and supportive services to formerly homeless families in Washington, DC. The families in our PSH Program live in scattered site apartments throughout the city, pay a portion of their income towards their rent and participate in intensive case management services.

#### **ADA Accessible Shelter Units**

In conjunction with the Department of Human Services, we operate four ADA accessible, apartment style, shelter units for families in Washington, DC. CHGM provides case management services to families during their shelter stay, and assists them transition into permanent housing.

#### **Street Outreach Program**

Our street outreach team serves chronically homeless individuals living in Ward 6, specifically in the Eastern Market neighborhood. Our team utilizes a person-centered approach to build and maintain relationships with our chronically homeless neighbors, and supports them in meeting their immediate needs and achieving their long-term goals,



CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

including stable housing. Our street outreach team partners with Unity Healthcare to connect our homeless neighbors with high quality medical care.

*Shirley's Place*

Shirley's Place, our day hospitality center, offers people experiencing homelessness a safe and dignified place to spend their day off of the street. Shirley's Place provides access to showers, laundry, restrooms, mail service, phones, computers, lunch, and social service referrals.

*Community Engagement*

Our Community Engagement work involves building relationships with individuals, faith-based and community organizations, and businesses as allies in our work.

**Note 2      Summary of Significant Accounting Policies**

*Method of Accounting*

These financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned and expenses in the period the related liability are incurred.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and or the passage of time. Expirations of temporarily restricted on net assets are reported as reclassifications between the applicable classes of net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Organization.

*Cash and Cash Equivalents*

For purpose of the balances sheet and statements of cash flows, the Organization considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

*Accounts Receivable*

Accounts receivable are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

*Donated Goods and Services*

Volunteers have donated significant amounts of time in support of the Institution's activities. However, the value of these services is not reflected in the accompanying financial statements, as they do not meet the criteria for recognition as set forth under generally accepted accounting principles.

*Contribution and Revenue*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporary restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions.

*Property and Equipment*

Fixed assets are recorded at cost if purchased or at fair market value at date of gift if donated. Depreciation for property and equipment is computed using the straight-line method over the life of the assets. Additions and improvements that add materially productive capacity or extend the life of an asset are capitalized. The organization established capitalization policy of \$1,000. The estimated lives used in determining depreciation are:

Building & improvements	15 - 39 years
Furniture and equipment	5 years

CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

*Income Taxes*

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's federal exempt organization tax returns are subject to examination by the IRS, generally, for three years after they were filed.

*Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on the various functions.

*Use of Estimates*

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

*Reclassifications*

Reclassifications have been made to prior year balances to conform to the current year presentation.

*Subsequent Events*

Subsequent events were evaluated through October 10, 2018, which is the date the financial statements were available to be issued.

**Note 3**

**Fair Value Measurements**

Financial Accounting Standards Board (FASB) guidance for fair value measurement and disclosure 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB guidance are described as follows:

CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities; or
- *Level 2:* 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; or
- *Level 3:* Unobservable inputs that reflect the reporting entity's own assumptions.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2017 and 2016 respectively:

	<u>2017</u>			
	<u>Fair Value Measurements Using Input Type</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2017				
Certificate of Deposit	\$ 154,533	\$ -	\$ -	\$ 154,533
Totals	<u>\$ 154,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,533</u>

	<u>2016</u>			
	<u>Fair Value Measurements Using Input Type</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2016				
Certificate of Deposit	\$ 153,961	\$ -	\$ -	\$ 153,961
Totals	<u>\$ 153,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,961</u>

CAPITOL HILL GROUP MINISTRY, INC.

Notes to Financial Statements  
December 31, 2017 and 2016

**Note 4 Property and Equipment**

Property and equipment as of December 31, 2016 and 2017 comprised of the following:

	2017	2016
Land	\$ 29,869	\$ 29,869
Buildings	372,602	372,602
Furniture and fixtures	70,930	70,280
Fixed assets, total	473,401	472,751
Less, accumulated depreciation	(189,680)	(167,934)
	\$ 283,721	\$ 304,817

Depreciation expense for the years ended December 31, 2017 and 2016 was \$21,746 and \$18,414, respectively.

**Note 5 Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Shirley's Place	\$ 30,000	\$ 20,210

*Net Assets Released from Restrictions*

The following is a summary of net assets which were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors for the years ended December 31, 2017 and 2016:

	2017	2016
Shirley's Place	\$ 20,210	\$ 9,790

CAPITOL HILL GROUP MINISTRY, INC.

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**Note 6 Retirement Plan**

Capitol Hill Group Ministry offers each employee the opportunity to contribute to 403(b) voluntary savings plans. Each employee may contribute up to the maximum allowable by the Internal Revenue Service annually from his or her own funds. CHGM does not contribute to the retirement plan on behalf of each employee.

**Note 7 Rent Expense**

On August 30, 2016, Capitol Hill Group Ministry signed a lease agreement for office space with the National Association of Wheat Growers Foundation, Inc., a district of Columbia non-profit corporation for five years and three months to commence on January 1, 2017. Rent increases on a yearly basis by a factor of 3% per year. Future minimum lease payments under the lease are as follows:

<u>Lease Year</u>	<u>Annual Base Rent</u>
2018	168,175
2019	174,061
2020	180,153
2021	186,458
2022	192,984

**Note 8 Contingency**

Grant require the fulfillment of certain conditions as set forth in each grant instrument. Failure to fulfill those conditions could result in the return of funds to the grantors. Management deems this contingency remote since it believes it has complied with the terms of each grant.

## Supplementary Information

**CAPITOL HILL GROUP MINISTRY, INC**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2017**

Expenses										Support Services	
	Rapid Rehousing Program (RRH) Services	"Shirley's Place" Day Hospitality (SP/SFH) Services	Shelter Plus Care (SPC)	Street Outreach	ADA Units	Homelessness Prevention (HPP)	Community Engagement	Total Program Services	General & Administrative	Fundraising	
<b>Personnel Costs</b>											
Salaries	\$ 255,336	\$ 136,201	\$ 139,941	\$ 31,128	\$ 84,108	\$ 312,062	\$ 5,701	\$ 964,477	\$ 73,470	\$ 13,687	
Temporary Personnel	-	-	300	21,869	-	-	10,350	32,519	-	-	
Payroll Taxes	23,534	10,278	10,089	3,357	6,170	17,375	418	71,220	23,961	1,369	
Workers Comp and ERISA Insurance	5,036	2,771	3,455	1,144	619	5,587	951	19,562	2,664	-	
Fringe Benefits	36,892	13,810	15,440	3,395	1,537	19,917	3,803	94,794	13,380	-	
Payroll Processing	-	-	-	-	-	-	-	-	3,703	-	
<b>Total Personnel Costs</b>	<b>320,798</b>	<b>163,059</b>	<b>169,226</b>	<b>60,893</b>	<b>92,433</b>	<b>354,940</b>	<b>21,222</b>	<b>1,182,572</b>	<b>117,176</b>	<b>15,056</b>	
<b>Program Costs</b>											
Background/Drug screens	463	318	129	425	154	578	77	2,144	70	-	
Client Assistance	27,300	125,840	9,138	4,290	4,941	190,328	356	362,192	-	-	
Day Center Repairs	-	20,401	-	-	-	-	-	20,401	-	-	
Day Center Supplies	-	2,844	-	-	-	-	-	2,844	-	-	
Day Laborers	-	1,597	160	-	-	-	-	1,757	-	-	
Emory Rent	-	2,400	-	-	-	-	-	2,400	-	-	
Program Consultants	5,799	3,829	6,108	204	3,903	1,622	-	21,465	-	-	
Staff Cell Phones	4,347	846	1,710	2,044	26	971	336	10,279	1,330	-	
Utilities	-	6,553	-	-	-	-	-	6,553	-	-	
Staff Transportation	3,861	1,346	3,355	959	-	732	111	10,362	12	-	
<b>Total Program Costs</b>	<b>41,769</b>	<b>165,973</b>	<b>20,600</b>	<b>7,921</b>	<b>9,024</b>	<b>194,230</b>	<b>879</b>	<b>440,396</b>	<b>1,412</b>	<b>-</b>	
<b>Operating Costs</b>											
Accounting	9,800	7,220	6,886	1,658	4,456	14,822	1,545	46,387	1,909	-	
Bank Fees	70	30	-	-	-	60	-	160	5	-	
Board Discretionary	-	-	-	-	-	-	-	-	87	-	
Computer and Office Equipment	1,802	498	5,172	495	1,064	5,399	431	14,861	10,572	-	
Depreciation	1,163	13,635	352	165	-	1,560	122	16,997	4,749	-	
Dues and Memberships	82	112	142	30	-	202	-	567	4,078	-	
Insurance	3,109	2,199	2,730	815	360	4,474	758	14,445	2,686	-	
Office Space	35,082	9,750	19,564	2,807	10,350	59,895	2,344	139,792	17,994	-	
Office Supplies	1,213	986	497	210	394	3,088	57	6,445	3,403	-	
Postage and Delivery	150	69	88	63	6	163	31	571	340	-	
Professional Consultants	3,265	1,755	1,792	344	276	6,440	826	14,698	16,818	-	
Staff Incentives	136	51	109	213	-	1,895	158	2,562	3,345	-	
Staff Training	994	105	154	127	-	1,478	-	2,859	7,741	-	
Staff Travel	-	-	-	20	-	-	-	20	257	-	
Telecommunications	1,648	2,332	1,375	1,281	295	2,840	532	10,303	2,000	-	
<b>Total Operating Costs</b>	<b>58,514</b>	<b>38,742</b>	<b>38,861</b>	<b>8,229</b>	<b>17,202</b>	<b>102,317</b>	<b>6,804</b>	<b>270,668</b>	<b>75,983</b>	<b>-</b>	
<b>Development/Communication Costs</b>											
Clergy Breakfast	-	-	-	-	-	-	71	71	-	-	
Donor Mailings	-	-	-	-	-	-	-	-	3,344	-	
Donor Stewardship	-	-	-	-	-	-	-	-	2,104	-	
E-Communications	90	-	-	180	-	270	-	540	337	-	
Events - Other	-	-	-	-	-	-	-	-	702	-	
PR Materials	29	451	29	37	-	29	85	659	628	-	
<b>Total Development/Communication Costs</b>	<b>119</b>	<b>451</b>	<b>29</b>	<b>217</b>	<b>-</b>	<b>299</b>	<b>156</b>	<b>1,270</b>	<b>7,115</b>	<b>-</b>	
<b>Total Expenses</b>	<b>\$ 421,199</b>	<b>\$ 368,224</b>	<b>\$ 228,716</b>	<b>\$ 77,260</b>	<b>\$ 118,660</b>	<b>\$ 651,785</b>	<b>\$ 29,061</b>	<b>\$ 1,894,906</b>	<b>\$ 201,688</b>	<b>\$ 15,056</b>	

See independent auditor's report