

Financial Statements

The Cookie Cart
Minneapolis, Minnesota

For the Years Ended
December 31, 2015 and 2014

THE COOKIE CART
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Cookie Cart
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Cookie Cart (the Organization), a Minnesota nonprofit corporation, which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 4, 2016

FINANCIAL STATEMENTS

THE COOKIE CART
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 236,817	\$ 406,077
Accounts receivable	96,976	140,685
Promises to give, current	25,000	23,000
Inventory	32,954	28,538
Prepays	28,823	4,625
TOTAL CURRENT ASSETS	420,570	602,925
PROPERTY AND EQUIPMENT		
Land	50,000	50,000
Building and improvements	1,880,896	1,880,896
Construction in process	464,710	-
Bakery equipment	63,044	63,044
Furniture and fixtures	43,103	43,103
PROPERTY AND EQUIPMENT, COST	2,501,753	2,037,043
LESS ACCUMULATED DEPRECIATION	(381,203)	(313,819)
PROPERTY AND EQUIPMENT, NET	2,120,550	1,723,224
NONCURRENT ASSETS		
Promises to give, noncurrent	-	25,000
TOTAL ASSETS	\$ 2,541,120	\$ 2,351,149
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 4,758
Note payable, current portion	28,925	12,258
Accrued payroll and compensated absences	13,577	44,882
Unearned revenue	-	5,000
TOTAL CURRENT LIABILITIES	42,502	66,898
LONG-TERM LIABILITIES		
Note payable, noncurrent portion	713,444	487,742
TOTAL LIABILITIES	755,946	554,640
NET ASSETS		
Unrestricted		
Undesignated	1,681,174	1,460,085
Board designated	40,000	214,825
Temporarily restricted for		
Program development	64,000	75,000
Capacity campaign	-	46,599
TOTAL NET ASSETS	1,785,174	1,796,509
TOTAL LIABILITIES AND NET ASSETS	\$ 2,541,120	\$ 2,351,149

See Independent Auditor's Report and Notes to the Financial Statements.

THE COOKIE CART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
SUPPORT				
Donations and contributions	\$ 193,183	\$ 71,686	\$ 264,869	\$ 575,372
Donated materials and services	174,028	-	174,028	153,190
Grants	485,250	70,000	555,250	431,500
Special events				
Revenue	196,258	-	196,258	142,450
Expense	(39,104)	-	(39,104)	(28,892)
Net special events	<u>157,154</u>	<u>-</u>	<u>157,154</u>	<u>113,558</u>
TOTAL SUPPORT	<u>1,009,615</u>	<u>141,686</u>	<u>1,151,301</u>	<u>1,273,620</u>
REVENUE				
Sales of cookies	513,786	-	513,786	428,237
Interest	402	-	402	615
Rental and other	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>13,000</u>
TOTAL REVENUE	<u>527,188</u>	<u>-</u>	<u>527,188</u>	<u>441,852</u>
RECLASSIFICATIONS				
Net assets released from restrictions				
Restriction satisfied by payments	<u>199,285</u>	<u>(199,285)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,736,088</u>	<u>(57,599)</u>	<u>1,678,489</u>	<u>1,715,472</u>
EXPENSES				
Program services				
Education/bakery	1,239,130	-	1,239,130	1,070,317
Support services				
Fundraising - General	193,972	-	193,972	168,327
Fundraising - Capacity Campaign	137,192	-	137,192	100,895
Administration	<u>119,530</u>	<u>-</u>	<u>119,530</u>	<u>104,590</u>
TOTAL EXPENSES	<u>1,689,824</u>	<u>-</u>	<u>1,689,824</u>	<u>1,444,129</u>
CHANGE IN NET ASSETS	46,264	(57,599)	(11,335)	271,343
NET ASSETS, JANUARY 1	<u>1,674,910</u>	<u>121,599</u>	<u>1,796,509</u>	<u>1,525,166</u>
NET ASSETS, DECEMBER 31	<u>\$ 1,721,174</u>	<u>\$ 64,000</u>	<u>\$ 1,785,174</u>	<u>\$ 1,796,509</u>

See Independent Auditor's Report and Notes to the Financial Statements.

THE COOKIE CART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Donations and contributions	\$ 154,713	\$ 420,659	\$ 575,372
Donated materials and services	110,690	42,500	153,190
Grants	356,500	75,000	431,500
Special events			
Revenue	142,450	-	142,450
Expense	(28,892)	-	(28,892)
Net special events	<u>113,558</u>	<u>-</u>	<u>113,558</u>
 TOTAL SUPPORT	 <u>735,461</u>	 <u>538,159</u>	 <u>1,273,620</u>
 REVENUE			
Sales of cookies	428,237	-	428,237
Interest	615	-	615
Rental and other	13,000	-	13,000
 TOTAL REVENUE	 <u>441,852</u>	 <u>-</u>	 <u>441,852</u>
 RECLASSIFICATIONS			
Net assets released from restrictions			
Restriction satisfied by payments	<u>1,402,913</u>	<u>(1,402,913)</u>	<u>-</u>
 TOTAL SUPPORT REVENUE	 <u>2,580,226</u>	 <u>(864,754)</u>	 <u>1,715,472</u>
 EXPENSES			
Program services			
Education/bakery	1,070,317	-	1,070,317
Support services			
Fundraising - General	168,327	-	168,327
Fundraising - Capacity Campaign	100,895	-	100,895
Administration	104,590	-	104,590
 TOTAL EXPENSES	 <u>1,444,129</u>	 <u>-</u>	 <u>1,444,129</u>
 CHANGE IN NET ASSETS	 1,136,097	 (864,754)	 271,343
 NET ASSETS, JANUARY 1	 <u>538,813</u>	 <u>986,353</u>	 <u>1,525,166</u>
 NET ASSETS, DECEMBER 31	 <u>\$ 1,674,910</u>	 <u>\$ 121,599</u>	 <u>\$ 1,796,509</u>

See Independent Auditor's Report and Notes to the Financial Statements.

THE COOKIE CART
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,335)	\$ 271,343
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of assets	-	14,457
Depreciation	67,384	34,974
(Increase) decrease in assets		
Accounts receivable	43,709	(53,034)
Promises to give	23,000	109,895
Inventory	(4,416)	(28,538)
Prepays	(24,198)	6,602
Increase (decrease) in liabilities		
Accounts payable	(4,758)	955
Accrued payroll and compensated absences	(31,305)	15,233
Unearned revenue	(5,000)	-
	<u>53,081</u>	<u>371,887</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in process	(464,710)	-
Purchase of property and equipment	-	(1,503,925)
	<u>(464,710)</u>	<u>(1,503,925)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on notes payable	(36,798)	(12,258)
Proceeds from notes payable	262,500	500,000
Notes payable, current portion	16,667	12,258
	<u>242,369</u>	<u>500,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS	(169,260)	(632,038)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>406,077</u>	<u>1,038,115</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 236,817</u>	<u>\$ 406,077</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Donated materials and services	<u>\$ 174,028</u>	<u>\$ 153,190</u>
Interest paid	<u>\$ 27,206</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes to the Financial Statements.

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Cookie Cart (the Organization) is a nonprofit community corporation that provides employment skills for youth in North Minneapolis and St. Paul, Minnesota. Cookie Cart's mission is to provide teens with lasting and meaningful work, life and leadership skills through experience and training in an urban nonprofit bakery. Combining hands-on work experience, classroom work readiness training, formal customer service education, skills certification and financial literacy classes, Cookie Cart helps teens develop the foundational tools they need to be successful in education and career.

The successful "earn as you learn" programming at Cookie Cart is based on a logic model constructed on principles of positive youth development and most recent research on career pathways. Young people who participate gain or strengthen skills in five key outcome areas: connectedness to new communities; strengthened future goal orientation; improved interpersonal skills; enhanced critical thinking skills; and increased employment readiness skills. In 2015, Cookie Cart's programming in N. Minneapolis served 193 teens ages 15-18. A majority qualified for free or reduced lunch and over 95 percent are from communities of color.

Cookie Cart's strategic goal is to increase the number of youth who participate in employment and training programming. The first stage of that goal was achieved in 2014 with the renovation of our building in North Minneapolis. That resulted in double the number of youth participants. Phase two started in 2015 with the purchase of a vacant grocery store at in Saint Paul's Eastside Payne-Phalen neighborhood. In 2017 after renovations to classroom space, commercial bakery, offices and a store front café, 100 teens will begin employment and training programming. Both of these initiatives ensure that teens in low-income neighborhoods will have the opportunity to gain the skills to be successful on their career pathways.

B. Basis Of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. Basis of Presentation

Contributions received are recorded as an increase in unrestricted and temporarily restricted support, depending on the existence and nature of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts represent revenue, which the Board of Directors has set aside for a particular purpose.

Temporarily restricted - Resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

Permanently Restricted - Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2015 and 2014.

D. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents. The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC. At December 31, 2015 and 2014, there are no significant concentrations of credit risk arising from cash deposits in excess of federally insured limits.

F. Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect on balances outstanding at period end. The Organization uses the allowance method to account for uncollectible receivables. This method provides allowances for doubtful receivables based on historical experience and management's evaluation of estimated losses that will be incurred in the collection of receivables. No allowance for uncollectible accounts deemed necessary by management for the years ended December 31, 2015 and 2014.

G. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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.

H. Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method. Property and equipment are defined by the Organization as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year based on estimated useful lives as follows:

<u>Assets</u>	<u>Useful Lives in Years</u>
Office equipment	3 - 5
Building and improvements	20-39.5
Bakery equipment	10
Furniture and fixtures	5 - 20

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and any resultant gain or loss is recognized in changes in unrestricted net assets.

Repairs and maintenance are charged to expense as incurred. Renewals and improvements, which extend the useful life of assets, are capitalized and depreciated over future periods.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Donated Materials, Services and Property and Equipment

The Organization receives donated inventory, services, and property and equipment. These items are recognized in the financial statements under the provisions of FASB ASC 958-605 “Not-for-Profit Entities – Revenue Recognition.” The Organization recognized \$174,028 and \$153,190 of contributed inventory and services during 2015 and 2014, respectively, as detailed below:

Item	Value	
	2015	2014
Ingredients and event items	\$ 50,768	\$ 79,230
Step-up wages	44,318	45,847
Legal services	38,352	22,011
Computer services	34,552	3,729
Other	6,038	2,373
Total	\$ 174,028	\$ 153,190

J. Statement of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on page 8. Accordingly, certain costs have been allocated based on management estimates.

K. Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses were \$10,088 and \$7,758 for the years ended December 31, 2015 and 2014, respectively.

L. Shipping and Handling Costs

Shipping and handling costs are included in product costs.

M. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 4, 2016 the date the financial statements were available to be issued.

Note 2: PLEDGES RECEIVABLE

The balance of pledges receivable are due as follows:

Pledges Receivable	Value	
	2015	2014
Less than one year	\$ 25,000	\$ 23,000
One to five years	-	25,000
Net pledges receivable	\$ 25,000	\$ 48,000

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: INVENTORY

The Organization changed its accounting method for tracking product costs and started recording inventory in 2014 to better match actual product costs with sales. Inventory consists of cookie ingredients and packaging supplies, valued at actual costs. Donated items are valued at fair market value on the date of donation. Total inventory for December 31, 2015 and 2014 was \$32,954 and \$28,538, respectively.

Note 4: RETIREMENT PLAN

The Organization offers its employees a SIMPLE IRA retirement plan. All employees are eligible, and contributions are made via payroll deduction. Matching contributions are made at the discretion of the board of directors up to 3 percent of the employee's compensation. Matching contributions by the Organization were \$14,540 and \$11,811 as of December 31, 2015 and 2014, respectively.

Note 5: PURCHASE OF PROPERTY

In June of 2015, The Cookie Cart purchased a building in the Payne-Phalen neighborhood of St. Paul for \$387,500. Part of the purchase price was paid in cash and the balance was financed with new loan for \$262,500. Construction in process at December 31, 2015 is valued at \$464,710, including architect fees and other expenses. A \$3.2 million capital campaign is underway to convert the vacant grocery store into a Cookie Cart that will employ East Side teens starting in 2017.

Note 6: LONG-TERM DEBT

At December 31, 2015 and 2014, long-term debt was as follows:

	2015	2014
Mortgage note payable to a bank, due in monthly payments of \$3,174.66 including interest at FHLB plus 2.65% for the first 5 years and 4.54% for years 5 - 20. The note is collateralized by property and equipment.	\$ 485,617	\$ 500,000
Mortgage note payable to a bank, due in monthly payments of \$2,069.34 including interest at 4.88% for five years. The note is secured by assets of the organization.	256,752	-
Total long-term debt	742,369	500,000
Less amounts due within one year	(28,925)	(12,258)
Long-term portion	\$ 713,444	\$ 487,742

Approximately scheduled future principal payments due under the agreement are as follows:

Year	Amount
2016	\$ 28,925
2017	30,310
2018	31,762
2019	33,283
2020	34,878
Thereafter	583,211
Total	\$ 742,369

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program development	\$ 44,000	\$ 75,000
Program development - St. Paul	20,000	-
Capacity campaign - St. Paul site	<u>-</u>	<u>46,599</u>
 Total	 <u>\$ 64,000</u>	 <u>\$ 121,599</u>

Note 8: BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Operations 2016	\$ 40,000	\$ -
Capacity campaign - St. Paul site	<u>-</u>	<u>214,825</u>

Note 9: INCOME TAXES

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization also qualifies as a tax-exempt corporation under applicable Minnesota statutes. The Organization estimates that it has no tax liability for uncertain tax positions and that this estimate will not change significantly in the next 12 months.

As of December 31, 2015 and 2014 there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Organization files informational returns in the U.S. federal jurisdiction, and in the Minnesota state jurisdiction. U.S. federal and Minnesota returns prior to fiscal year 2012 are closed. No returns are currently under examination in any tax jurisdiction.