

THE COOKIE CART
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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THE COOKIE CART
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5201 Eden Avenue
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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, 2012 and 2011, 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, 2012 and 2011, 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.

March 11, 2013
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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FINANCIAL STATEMENTS

THE COOKIE CART

**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

THE COOKIE CART
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|--------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 676,111 | \$ 292,997 |
| Investments | - | 43,474 |
| Accounts receivable, less allowance for doubtful accounts | 73,156 | 31,594 |
| Promises to give | 331,983 | 18,144 |
| Prepays | 8,389 | 6,668 |
| TOTAL CURRENT ASSETS | 1,089,639 | 392,877 |
| PROPERTY AND EQUIPMENT | | |
| Land | 50,000 | 50,000 |
| Building and improvements | 387,987 | 387,987 |
| Bakery equipment | 50,603 | 50,603 |
| Furniture and fixtures | 105,999 | 104,494 |
| TOTAL PROPERTY AND EQUIPMENT | 594,589 | 593,084 |
| LESS ACCUMULATED DEPRECIATION | (402,766) | (379,172) |
| NET PROPERTY AND EQUIPMENT | 191,823 | 213,912 |
| TOTAL ASSETS | \$ 1,281,462 | \$ 606,789 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 21,400 | \$ 21,435 |
| Deposits | - | 1,292 |
| Unearned revenue | - | 1,277 |
| Accrued payroll | 19,386 | 18,673 |
| Current portion of long-term debt | - | 33,983 |
| TOTAL CURRENT LIABILITIES | 40,786 | 76,660 |
| LONG-TERM LIABILITIES | | |
| Note payable less current portion above | - | 40,007 |
| TOTAL LIABILITIES | 40,786 | 116,667 |
| NET ASSETS | | |
| Temporarily restricted for | | |
| Program development | 7,500 | 7,500 |
| Capacity campaign | 774,745 | 27,977 |
| Unrestricted non - designated | 442,665 | 422,335 |
| Unrestricted board designated | 15,766 | 32,310 |
| TOTAL NET ASSETS | 1,240,676 | 490,122 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,281,462 | \$ 606,789 |

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

THE COOKIE CART
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|--------------|------------|
| UNRESTRICTED REVENUE, SUPPORT AND RECLASSIFICATIONS | | |
| UNRESTRICTED REVENUE | | |
| Sales of cookies | \$ 314,815 | \$ 254,389 |
| Less cost of sales | (127,871) | (91,963) |
| TOTAL UNRESTRICTED REVENUE | 186,944 | 162,426 |
| SUPPORT | | |
| Grants | 311,800 | 291,550 |
| Gifts | 202,016 | 147,198 |
| Donated materials and services | 124,597 | 84,209 |
| Event sponsorship | 6,413 | 6,154 |
| Interest | 1,681 | 1,708 |
| Rental and other | 19,264 | 17,992 |
| TOTAL SUPPORT | 665,771 | 548,811 |
| RECLASSIFICATIONS | | |
| Net assets released from restrictions | | |
| Restriction satisfied by payments | 147,656 | 96,260 |
| TOTAL UNRESTRICTED REVENUE | 1,000,371 | 807,497 |
| EXPENSES | | |
| Program services | | |
| Education/bakery | 598,634 | 490,619 |
| Support services | | |
| Fundraising - General | 149,036 | 118,294 |
| Fundraising - Capital Campaign | 131,112 | 92,982 |
| Administration | 101,259 | 84,487 |
| TOTAL EXPENSES | 980,041 | 786,382 |
| INCREASE IN UNRESTRICTED NET ASSETS | 20,330 | 21,115 |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Donations and contributions | 877,880 | 131,737 |
| Net assets released from restrictions | (147,656) | (96,260) |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | 730,224 | 35,477 |
| INCREASE IN NET ASSETS | 750,554 | 56,592 |
| NET ASSETS, JANUARY 1 | 490,122 | 433,530 |
| NET ASSETS, DECEMBER 31 | \$ 1,240,676 | \$ 490,122 |

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

THE COOKIE CART
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 750,554 | \$ 56,592 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Loss on disposal of assets | - | 1,006 |
| Depreciation | 23,595 | 26,180 |
| (Increase) decrease in assets | | |
| Accounts receivable | (41,562) | (1,970) |
| Promises to give | (313,839) | (6,414) |
| Prepays | (1,721) | 1,253 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (35) | 9,948 |
| Deposits | (1,292) | - |
| Unearned revenue | (1,277) | (889) |
| Accrued payroll | 713 | 1,343 |
| | <u>415,136</u> | <u>87,049</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale (purchase) of investments | 43,474 | (1,019) |
| Purchase of property and equipment | (1,505) | (2,879) |
| | <u>41,969</u> | <u>(3,898)</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal paid on notes payable | (73,991) | (12,786) |
| | <u>383,114</u> | <u>70,365</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | | |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | <u>292,997</u> | <u>222,632</u> |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u>\$ 676,111</u> | <u>\$ 292,997</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | <u>\$ 3,065</u> | <u>\$ 4,600</u> |
| Cash paid for income taxes | <u>\$ -</u> | <u>\$ -</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION | | |
| Donated materials and services | <u>\$ 124,597</u> | <u>\$ 84,209</u> |

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

THE COOKIE CART
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | | | | |
|-------------------------|----------------------|-------------------|---------------------|-------------------|-------------------|
| | Program Services | Support Services | | | Total Expenses |
| | Education/ Bakery | Fundraising | | Administration | |
| | | General | Capital Campaign | | |
| EXPENSES | | | | | |
| Salaries and benefits | \$ 450,255 | \$ 114,016 | \$ 52,262 | \$ 61,207 | \$ 677,740 |
| Printing and supplies | 20,150 | 1,381 | - | 1,175 | 22,706 |
| Insurance | 6,819 | - | - | 359 | 7,178 |
| Dues and subscriptions | - | - | - | 2,669 | 2,669 |
| Utilities | 40,071 | - | - | 4,452 | 44,523 |
| Advertising | 12,753 | 604 | - | 16,544 | 29,901 |
| Professional services | 6,811 | 5,051 | 78,850 | 8,164 | 98,876 |
| Training | 10,785 | - | - | - | 10,785 |
| Fundraising | - | 4,350 | - | - | 4,350 |
| Miscellaneous | 14,762 | - | - | 1,264 | 16,026 |
| Special events | - | 23,634 | - | - | 23,634 |
| Interest | - | - | - | 3,065 | 3,065 |
| Repairs and maintenance | 14,993 | - | - | - | 14,993 |
| Depreciation | 21,235 | - | - | 2,360 | 23,595 |
| | <u>\$ 598,634</u> | <u>\$ 149,036</u> | <u>\$ 131,112</u> | <u>\$ 101,259</u> | <u>\$ 980,041</u> |
| TOTAL EXPENSES | | | | | |

| | 2011 | | | | |
|-------------------------|----------------------|-------------------|---------------------|------------------|-------------------|
| | Program Services | Support Services | | | Total Expenses |
| | Education/ Bakery | Fundraising | | Administration | |
| | | General | Capital Campaign | | |
| EXPENSES | | | | | |
| Salaries and benefits | \$ 346,236 | \$ 92,085 | \$ 27,610 | \$ 50,195 | \$ 516,126 |
| Printing and supplies | 25,129 | 7,565 | - | 743 | 33,437 |
| Insurance | 6,484 | - | - | 341 | 6,825 |
| Dues and subscriptions | - | - | - | 882 | 882 |
| Utilities | 38,084 | - | - | 9,992 | 48,076 |
| Advertising | 3,767 | 2,105 | - | - | 5,872 |
| Professional services | 8,587 | 877 | 65,372 | 12,925 | 87,761 |
| Training | 15,726 | - | - | - | 15,726 |
| Fundraising | - | 6,753 | - | - | 6,753 |
| Miscellaneous | 12,338 | - | - | 2,191 | 14,529 |
| Special events | - | 8,909 | - | - | 8,909 |
| Interest | - | - | - | 4,600 | 4,600 |
| Repairs and maintenance | 10,706 | - | - | - | 10,706 |
| Depreciation | 23,562 | - | - | 2,618 | 26,180 |
| | <u>\$ 490,619</u> | <u>\$ 118,294</u> | <u>\$ 92,982</u> | <u>\$ 84,487</u> | <u>\$ 786,382</u> |
| TOTAL EXPENSES | | | | | |

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

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THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, Minnesota. The mission of the Organization states: "Centered in a Community non-profit bakery, The Cookie Cart builds better lives for youth by providing lasting and meaningful work, life, and leadership skills."

The Organization's core program is the Bakery program offering youth employment and learning opportunities through the experience of working in a small business setting (the bakery). Auxiliary programs provide assistance with career planning and transition to traditional employment.

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. Beginning in 2011, the Organization initiated fundraising through a capacity campaign which is intended to support the long-term capital needs of the Organization.

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.

E. Cash and cash equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents. At December 31, 2012, there are significant concentrations of credit risk arising from cash deposits in excess of federally insured limits in the amount of \$175,869.

THE COOKIE CART
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Accounts receivable

Accounts receivable are reported net of an allowance for doubtful accounts of \$225 and \$378 for the years ended December 31, 2012 and 2011. The accounts receivable balance is comprised mainly of amounts due from corporate cookie sales.

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 |
| 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, 2012 AND 2011

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 FAS No. 116 "Accounting for Contributions Received and Contributions Made". The Organization recognized \$124,597 and \$84,209 of contributed inventory and services during 2012 and 2011, respectively, as detailed below:

| Item | Value | |
|-------------------|-------------------|------------------|
| | 2012 | 2011 |
| Ingredients | \$ 57,926 | \$ 40,748 |
| Computer services | 10,698 | 13,746 |
| Graphic design | 6,800 | 1,500 |
| Legal services | 1,118 | 5,805 |
| Step-up wages | 47,205 | 22,410 |
| Other | 850 | - |
| Total | <u>\$ 124,597</u> | <u>\$ 84,209</u> |

J. Statement of functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on page 9. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses were \$29,901 and \$5,872 for the years ended December 31, 2012 and 2011, respectively.

L. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 11, 2013, the date the financial statements were available to be issued.

Note 2: LONG-TERM DEBT

On January 10, 2005, the Organization entered into a \$100,000 note payable with Nonprofits Assistance Fund to finance ongoing operations with interest at 8.5 percent. The note was refinanced August 14, 2009 by Bremer Bank for \$41,460. The note carried an interest rate of 6.5 percent and had a 6 year amortization with a balloon payment of \$23,468 due August 14, 2012. In 2008, the Organization entered into two additional note agreements with Nonprofits Assistance Fund for \$35,000 per note for building renovations. The notes carried an annual interest rate of 8 and 2 percent. The outstanding balances of all three notes were paid off during 2012. Interest expense for the notes was \$3,065 and \$4,600 for the years ended December 31, 2012 and 2011, respectively.

Note 3: 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. Under FASB ASC 740-10-50 the Organization estimates that it has no tax liability for uncertain tax positions and that this estimate will not change significantly during 2013.