Financial Statements

The Cookie Cart

Minneapolis, Minnesota

For the Years Ended
December 31, 2014 and 2013

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 3, 2015

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

FINANCIAL STATEMENTS

THE COOKIE CART
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 406,077	$ 1,038,115
Accounts receivable	140,685	87,651
Promises to give, current	23,000	137,895
Inventory	28,538	-
Prepaids	4,625	11,227
TOTAL CURRENT ASSETS	602,925	1,274,888
PROPERTY AND EQUIPMENT		
Land	50,000	50,000
Building and improvements	1,880,896	387,987
Construction in process	-	85,370
Bakery equipment	63,044	50,603
Furniture and fixtures	43,103	121,397
PROPERTY AND EQUIPMENT, COST	2,037,043	695,357
LESS ACCUMULATED DEPRECIATION	(313,819)	(426,627)
PROPERTY AND EQUIPMENT, NET	1,723,224	268,730
NONCURRENT ASSETS		
Promises to give, noncurrent	25,000	20,000
TOTAL ASSETS	$ 2,351,149	$ 1,563,618
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 4,758	$ 3,803
Note payable, current portion	12,258	-
Accrued payroll and compensated absences	44,882	29,649
Unearned revenue	5,000	5,000
TOTAL CURRENT LIABILITIES	66,898	38,452
LONG-TERM LIABILITIES		
Note payable, noncurrent portion	487,742	-
TOTAL LIABILITIES	554,640	38,452
NET ASSETS		
Unrestricted		
Undesignated	1,460,085	538,813
Board designated	214,825	-
Temporarily restricted for		
Program development	75,000	49,593
Capacity campaign	46,599	936,760
TOTAL NET ASSETS	1,796,509	1,525,166
TOTAL LIABILITIES AND NET ASSETS	$ 2,351,149	$ 1,563,618

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

THE COOKIE CART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013
SUPPORT AND REVENUE				
SUPPORT				
Donations and contributions	$ 154,713	$ 420,659	$ 575,372	$ 465,082
Donated materials and services	110,690	42,500	153,190	86,467
Grants	356,500	75,000	431,500	388,095
Special Events				
Revenue	142,450	-	142,450	81,652
Expense	(28,892)	-	(28,892)	(26,685)
Net Special Events	113,558	-	113,558	54,967
TOTAL SUPPORT	735,461	538,159	1,273,620	994,611
REVENUE				
Sales of cookies	428,237	-	428,237	379,232
Interest	615	-	615	961
Rental and other	13,000	-	13,000	13,000
TOTAL REVENUE	441,852	-	441,852	393,193
RECLASSIFICATIONS				
Net assets released from restrictions				
Restriction satisfied by payments	1,402,913	(1,402,913)	-	-
TOTAL SUPPORT AND REVENUE	2,580,226	(864,754)	1,715,472	1,387,804
EXPENSES				
Program services				
Education/bakery	1,070,317	-	1,070,317	770,592
Support services				
Fundraising - General	168,327	-	168,327	123,954
Fundraising - Capacity Campaign	100,895	-	100,895	106,783
Administration	104,590	-	104,590	101,985
TOTAL EXPENSES	1,444,129	-	1,444,129	1,103,314
CHANGE IN NET ASSETS	1,136,097	(864,754)	271,343	284,490
NET ASSETS, JANUARY 1	538,813	986,353	1,525,166	1,240,676
NET ASSETS, DECEMBER 31	$ 1,674,910	$ 121,599	$ 1,796,509	$ 1,525,166

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

THE COOKIE CART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
SUPPORT			
Donations and contributions	$ 119,158	$ 345,924	$ 465,082
Donated materials and services	78,223	8,244	86,467
Grants	334,295	53,800	388,095
Special events			
Revenue	81,652	-	81,652
Expense	(26,685)	-	(26,685)
Net special events	54,967	-	54,967
TOTAL SUPPORT	586,643	407,968	994,611
REVENUE			
Sales of cookies	379,232	-	379,232
Interest	961	-	961
Rental and other	13,000	-	13,000
TOTAL REVENUE	393,193	-	393,193
RECLASSIFICATIONS			
Net assets released from restrictions			
Restriction satisfied by payments	203,860	(203,860)	-
TOTAL SUPPORT REVENUE	1,183,696	204,108	1,387,804
EXPENSES			
Program services			
Education/bakery	770,592	-	770,592
Support services			
Fundraising - General	123,954	-	123,954
Fundraising - Capacity Campaign	106,783	-	106,783
Administration	101,985	-	101,985
TOTAL EXPENSES	1,103,314	-	1,103,314
CHANGE IN NET ASSETS	80,382	204,108	284,490
NET ASSETS, JANUARY 1	458,431	782,245	1,240,676
NET ASSETS, DECEMBER 31	$ 538,813	$ 986,353	$ 1,525,166

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

THE COOKIE CART
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

2014

	Program Services	Support Services			
		Fundraising			
	Education/ Bakery	General	Capital Campaign	Administration	Total Expenses
EXPENSES					
Salaries and benefits	$ 551,481	$ 160,195	$ 46,038	$ 78,976	$ 836,690
Product costs	236,161	-	-	-	236,161
Operating costs, temporary location	71,308	-	-	-	71,308
Printing and office supplies	13,113	4,643	-	799	18,555
Insurance	18,038	-	-	-	18,038
Dues and subscriptions	-	-	-	1,566	1,566
Utilities	26,343	-	-	2,927	29,270
Advertising	7,758	-		-	7,758
Professional services	19,667	-	26,112	12,904	58,683
Training	6,023	-	-	-	6,023
Fundraising	-	3,489	-	-	3,489
St. Paul site costs	-	-	28,745	-	28,745
Miscellaneous	34,785	-		2,501	37,286
Loss on disposal of fixed assets	14,457	-	-	-	14,457
Repairs and maintenance	41,126	-	-	-	41,126
Depreciation	30,057	-	-	4,917	34,974
TOTAL EXPENSES	$ 1,070,317	$ 168,327	$ 100,895	$ 104,590	$ 1,444,129

2013

	Program Services	Support Services			
		Fundraising			
	Education/ Bakery	General	Capital Campaign	Administration	Total Expenses
EXPENSES					
Salaries and benefits	$ 442,523	$ 109,763	$ 39,515	$ 81,426	$ 673,227
Product costs	139,221	-	-	-	139,221
Printing and office supplies	28,430	6,647	-	1,801	36,878
Insurance	13,952	-	-	-	13,952
Dues and subscriptions	-	-	-	1,229	1,229
Utilities	22,985	-	-	2,554	25,539
Advertising	23,336	-		-	23,336
Professional services	18,229	-	67,268	8,951	94,448
Training	8,180	-	-	-	8,180
Fundraising	-	7,544	-	-	7,544
Miscellaneous	17,267	-	-	3,638	20,905
Repairs and maintenance	34,994	-	-	-	34,994
Depreciation	21,475	-	-	2,386	23,861
TOTAL EXPENSES	$ 770,592	$ 123,954	$ 106,783	$ 101,985	$ 1,103,314

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

THE COOKIE CART
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 271,343	$ 284,490
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Loss on disposal of assets	14,457	-
Depreciation	34,974	23,861
(Increase) decrease in assets		
Accounts receivable	(53,034)	(14,495)
Promises to give	109,895	174,088
Inventory	(28,538)	-
Prepaids	6,602	(2,838)
Increase (decrease) in liabilities		
Accounts payable	955	(17,597)
Accrued payroll and compensated absences	15,233	10,263
Unearned revenue	-	5,000
Notes payable, current portion	12,258	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	384,145	462,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in process	-	(85,370)
Purchase of property and equipment	(1,503,925)	(15,398)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,503,925)	(100,768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	487,742	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(632,038)	362,004
CASH AND CASH EQUIVALENTS, JANUARY 1	1,038,115	676,111
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 406,077	$ 1,038,115
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	$ 500,000	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Donated materials and services	$ 153,190	$ 86,467

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

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.

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, 2014 and 2013.

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. 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, 2014, there are no significant concentrations of credit risk arising from cash deposits in excess of federally insured limits.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2014 and 2013.

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:

Assets	Useful Lives in Years
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.

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 $153,190 and $86,467 of contributed inventory and services during 2014 and 2013, respectively, as detailed below:

Item	Value 2014	Value 2013
Ingredients and event items	$ 79,230	$ 25,509
Step-up wages	45,847	40,763
Legal services	22,011	14,062
Computer services	3,729	3,681
Other	2,373	2,452
Total	$ 153,190	$ 86,467

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 $7,758 and $23,336 for the years ended December 31, 2014 and 2013, respectively.

L. Shipping and handling costs

Shipping and handling costs are included in cost of sales.

M. Reclassifications

Certain amounts appearing in the 2013 financial statements may have been reclassified to conform with the 2014 presentation. The reclassifications have no effect on reported amounts of total net assets or change in net assets.

N. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 3, 2015, the date the financial statements were available to be issued. In January 2015, the Organization paid $10,000 as earnest money for a possible purchase of a location in St. Paul, MN.

Note 2: PLEDGES RECEIVABLE

The balance of pledges receivable are due as follows:

Pledges Receivable	Value 2014	Value 2013
Less than one year	$ 23,000	$ 137,895
One to five years	25,000	20,000
Net pledges receivable	$ 48,000	$ 157,895

Note 3: INVENTORY

The Organization changed its accounting method for tracking costs of sales and started recording inventory in 2014 to better match the costs to 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, 2014, was $28,538.

Note 4: PENSION 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 $11,811 and $10,302 as of December 31, 2014 and 2013, respectively.

Note 5: CAPITAL CAMPAIGN

In 2012, the Organization began a $1.5 million capital campaign to significantly enhance its kitchen, storefront, and meeting areas. The renovation project was completed during 2014.

Note 6: LONG-TERM DEBT

In April 2014, the Organization secured a loan with Bremer Bank with no principal payments required until February 1, 2015. Interest-only payments were taken out of loan proceeds as they were disbursed for the renovation project. At December 31, 2014 and 2013 , long-term debt was as follows:

	2014	2013
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.	$ 500,000	$ -
Less amounts due within one year	12,258	-
Long-term portion	$ 487,742	$ -

Note 6: LONG-TERM DEBT - CONTINUED

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

Year	Amount
2015	$ 12,258
2016	14,027
2017	14,745
2018	15,499
2019	16,292
Thereafter	427,179
Total	$ 500,000

Note 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 are as follows:

	2014	2013
Program development	$ 75,000	$ 49,593
Capacity campaign - Minneapolis site	-	936,760
Capacity campaign - St. Paul site	46,599	-
Total	$ 121,599	$ 986,353

Note 8: BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31, 2014 and 2013 are as follows:

	2014	2013
Capacity campaign - St. Paul site	$ 214,825	$ -

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, 2014 and 2013, 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 2011 are closed. No returns are currently under examination in any tax jurisdiction.