

Financial Statements

The Cookie Cart
Minneapolis, Minnesota

For the Years Ended
December 31, 2018 and 2017

The Cookie Cart
Table of Contents
December 31, 2018 and 2017

| | <u>Page No.</u> |
|---|-----------------|
| Independent Auditor's Report | 3 |
| Financial Statements | |
| Statements of Financial Position | 5 |
| Statements of Activities - For the Year Ended December 31, 2018 | 6 |
| Statements of Activities - For the Year Ended December 31, 2017 | 7 |
| Statements of Functional Expenses | 8 |
| Statements of Cash Flows | 10 |
| Notes to the Financial Statements | 11 |



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, 2018 and 2017 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2018 and 2017, 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 14, 2019

FINANCIAL STATEMENTS

The Cookie Cart
Statements of Financial Position
December 31, 2018 and 2017

| | 2018 | 2017 |
|--|------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,455,175 | \$ 1,318,686 |
| Accounts receivable | 92,855 | 70,854 |
| Promises to give, current | 141,667 | 330,117 |
| Inventory | 47,475 | 33,245 |
| Prepays | 54,552 | 19,407 |
| Total Current Assets | 1,791,724 | 1,772,309 |
| Property and Equipment | | |
| Land | 88,750 | 50,000 |
| Building and improvements | 4,554,259 | 1,890,639 |
| Vehicles | 18,295 | 18,295 |
| Construction in process | - | 1,210,738 |
| Bakery equipment | 205,248 | 63,044 |
| Furniture and fixtures | 72,486 | 43,103 |
| Property and Equipment, Cost | 4,939,038 | 3,275,819 |
| Less Accumulated Depreciation | (618,181) | (504,105) |
| Property and Equipment, Net | 4,320,857 | 2,771,714 |
| Noncurrent Assets | | |
| Beneficial interest in endowment assets held by others | 100,000 | 100,000 |
| Promises to give, noncurrent, net of pledge discount | 10,000 | 52,909 |
| Total Noncurrent Assets | 110,000 | 152,909 |
| Total Assets | \$ 6,222,581 | \$ 4,696,932 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 3,267 | \$ 3,686 |
| Note payable, current portion | 349,159 | 32,267 |
| Accrued payroll and compensated absences | 52,127 | 25,827 |
| Unearned revenue | 1,074 | - |
| Total Current Liabilities | 405,627 | 61,780 |
| Long-term Liabilities | | |
| Note payable, noncurrent portion | 1,380,762 | 648,285 |
| Total Liabilities | 1,786,389 | 710,065 |
| Net Assets | | |
| Net assets without donor restrictions: | | |
| Undesignated | 3,153,342 | 2,905,812 |
| Board designated | 1,000,000 | - |
| Net assets with donor restrictions: | | |
| Capacity campaign | - | 981,055 |
| Investment campaign | 35,350 | - |
| Program development | 147,500 | - |
| Endowment | 100,000 | 100,000 |
| Total Net Assets | 4,436,192 | 3,986,867 |
| Total Liabilities and Net Assets | \$ 6,222,581 | \$ 4,696,932 |

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

The Cookie Cart
Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | 2018 | | | 2017 |
|---------------------------------------|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and Revenue | | | | |
| Support | | | | |
| Donations and contributions | \$ 345,818 | \$ 815,499 | \$ 1,161,317 | \$ 948,715 |
| Donated materials and services | 227,364 | 13,637 | 241,001 | 292,456 |
| Grants | 661,230 | - | 661,230 | 391,178 |
| Special events | | | | |
| Revenue | 257,691 | - | 257,691 | 260,904 |
| Expense | (63,085) | - | (63,085) | (50,449) |
| Net special events | 194,606 | - | 194,606 | 210,455 |
| Total Support | <u>1,429,018</u> | <u>829,136</u> | <u>2,258,154</u> | <u>1,842,804</u> |
| Revenue | | | | |
| Sales of cookies | 571,063 | - | 571,063 | 482,928 |
| Delivery revenue | 67,607 | - | 67,607 | 64,548 |
| Interest | 8,316 | - | 8,316 | 3,759 |
| Rental and other | 30,000 | - | 30,000 | 25,450 |
| Total Revenue | <u>676,986</u> | <u>-</u> | <u>676,986</u> | <u>576,685</u> |
| Reclassifications | | | | |
| Net assets released from restrictions | | | | |
| Restriction satisfied by time | 994,692 | (994,692) | - | - |
| Restriction satisfied by payments | 632,649 | (632,649) | - | - |
| Total Support and Revenue | <u>3,733,345</u> | <u>(798,205)</u> | <u>2,935,140</u> | <u>2,419,489</u> |
| Expenses | | | | |
| Program services | | | | |
| Education/bakery | 1,918,228 | - | 1,918,228 | 1,293,735 |
| Support services | | | | |
| Fundraising - General | 346,148 | - | 346,148 | 159,282 |
| Fundraising - Capacity Campaign | 52,443 | - | 52,443 | 229,065 |
| Administration | 168,996 | - | 168,996 | 184,125 |
| Total Expenses | <u>2,485,815</u> | <u>-</u> | <u>2,485,815</u> | <u>1,866,207</u> |
| Change in Net Assets | 1,247,530 | (798,205) | 449,325 | 553,282 |
| Net Assets, January 1 | <u>2,905,812</u> | <u>1,081,055</u> | <u>3,986,867</u> | <u>3,433,585</u> |
| Net Assets, December 31 | <u>\$ 4,153,342</u> | <u>\$ 282,850</u> | <u>\$ 4,436,192</u> | <u>\$ 3,986,867</u> |

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

The Cookie Cart
Statement of Activities
For the Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Support and Revenue | | | |
| Support | | | |
| Donations and contributions | \$ 238,373 | \$ 710,342 | \$ 948,715 |
| Donated materials and services | 222,617 | 69,839 | 292,456 |
| Grants | 391,178 | - | 391,178 |
| Special events | | | |
| Revenue | 260,904 | - | 260,904 |
| Expense | (50,449) | - | (50,449) |
| Net special events | <u>210,455</u> | <u>-</u> | <u>210,455</u> |
| Total Support | <u>1,062,623</u> | <u>780,181</u> | <u>1,842,804</u> |
| Revenue | | | |
| Sales of cookies | 482,928 | - | 482,928 |
| Delivery revenue | 64,548 | - | 64,548 |
| Interest | 3,759 | - | 3,759 |
| Rental and other | 25,450 | - | 25,450 |
| Total Revenue | <u>576,685</u> | <u>-</u> | <u>576,685</u> |
| Reclassifications | | | |
| Net assets released from restrictions | | | |
| Restriction satisfied by payments | <u>979,167</u> | <u>(979,167)</u> | <u>-</u> |
| Total Support and Revenue | <u>2,618,475</u> | <u>(198,986)</u> | <u>2,419,489</u> |
| Expenses | | | |
| Program services | | | |
| Education/bakery | 1,293,735 | - | 1,293,735 |
| Support services | | | |
| Fundraising - General | 159,282 | - | 159,282 |
| Fundraising - Capacity Campaign | 229,065 | - | 229,065 |
| Administration | 184,125 | - | 184,125 |
| Total Expenses | <u>1,866,207</u> | <u>-</u> | <u>1,866,207</u> |
| Change in Net Assets | 752,268 | (198,986) | 553,282 |
| Net Assets, January 1 | <u>2,153,544</u> | <u>1,280,041</u> | <u>3,433,585</u> |
| Net Assets, December 31 | <u>\$ 2,905,812</u> | <u>\$ 1,081,055</u> | <u>\$ 3,986,867</u> |

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

The Cookie Cart
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| Expenses | 2018 | | | | 2017 | |
|-------------------------------------|----------------------|-------------------|------------------|-------------------|---------------------|---------------------|
| | Program Services | Support Services | | | Total Expenses | Total Expenses |
| | Education/ Bakery | Fundraising | | Administration | | |
| | | General | Capital Campaign | | | |
| Wages and benefits | | | | | | |
| Adult wages - Minneapolis | \$ 298,503 | \$ 220,036 | \$ 26,034 | \$ 92,523 | \$ 637,096 | \$ 704,067 |
| Adult wages - St. Paul | 106,332 | 58,658 | | 23,436 | 188,426 | - |
| Youth wages - Minneapolis | 335,480 | - | - | - | 335,480 | 293,507 |
| Youth wages - St. Paul | 97,605 | - | - | - | 97,605 | - |
| Benefits and taxes | 107,189 | 55,094 | 5,207 | 9,442 | 176,932 | 148,869 |
| Cookie production costs | | | | | | |
| Ingredients and supplies | 224,878 | - | - | - | 224,878 | 181,249 |
| Wages - Minneapolis | 138,997 | - | - | - | 138,997 | - |
| Wages - St. Paul | 62,641 | - | - | - | 62,641 | - |
| Cookie sales and delivery costs | 89,778 | - | - | - | 89,778 | 71,847 |
| Printing and office supplies | 11,083 | 7,524 | - | - | 18,607 | 14,187 |
| Insurance | 41,457 | - | - | - | 41,457 | 27,063 |
| Dues and subscriptions | - | - | - | 5,426 | 5,426 | 3,400 |
| Utilities | 50,054 | - | - | 3,869 | 53,923 | 31,102 |
| Advertising | 2,629 | - | - | - | 2,629 | 6,277 |
| Professional services | - | - | - | 19,286 | 19,286 | 45,548 |
| Training | 17,031 | - | - | - | 17,031 | 9,062 |
| Events and relationship development | - | 4,836 | - | - | 4,836 | 1,269 |
| St. Paul site costs | - | - | 9,199 | - | 9,199 | 108,209 |
| Program evaluation | 5,942 | - | - | - | 5,942 | 13,258 |
| Youth computer lab | - | - | - | - | - | 935 |
| Miscellaneous | 2,737 | - | - | 11,522 | 14,259 | 4,854 |
| Credit card fees | 16,963 | - | - | - | 16,963 | 14,060 |
| Youth program expenses | 18,591 | - | - | - | 18,591 | 35,750 |
| Interest | 46,280 | - | 12,003 | - | 58,283 | 34,078 |
| Repairs and maintenance | 22,755 | - | - | - | 22,755 | 15,477 |
| Facility costs | 107,009 | - | - | - | 107,009 | 36,097 |
| Transportation | 3,710 | - | - | - | 3,710 | 10,514 |
| Depreciation | 110,584 | - | - | 3,492 | 114,076 | 55,528 |
| Total Expenses | \$ 1,918,228 | \$ 346,148 | \$ 52,443 | \$ 168,996 | \$ 2,485,815 | \$ 1,866,207 |

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

The Cookie Cart
Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2017

| | Program | Support Services | | | Total |
|------------------------------------|----------------------|-------------------|---------------------|-------------------|---------------------|
| | Services | Fundraising | | | |
| | Education/ Bakery | General | Capital Campaign | Administration | |
| Expenses | | | | | |
| Wages and benefits | | | | | |
| Adult wages - Minneapolis | \$ 366,039 | \$ 134,258 | \$ 98,760 | \$ 105,010 | \$ 704,067 |
| Adult wages - St. Paul | - | - | - | - | - |
| Youth wages - Minneapolis | 293,507 | - | - | - | 293,507 |
| Youth wages - St. Paul | - | - | - | - | - |
| Benefits and taxes | 83,226 | 18,491 | 14,814 | 32,338 | 148,869 |
| Cookie production costs | 181,249 | - | - | - | 181,249 |
| Cookie sales and delivery costs | 71,847 | - | - | - | 71,847 |
| Printing and office supplies | 8,577 | 5,264 | - | 346 | 14,187 |
| Insurance | 27,063 | - | - | - | 27,063 |
| Dues and subscriptions | - | - | - | 3,400 | 3,400 |
| Utilities | 27,984 | - | - | 3,118 | 31,102 |
| Advertising | 6,277 | - | - | - | 6,277 |
| Professional services | 13,645 | - | - | 31,903 | 45,548 |
| Training | 9,062 | - | - | - | 9,062 |
| Fundraising | - | 1,269 | - | - | 1,269 |
| St. Paul site costs | 14,675 | - | 93,534 | - | 108,209 |
| Program evaluation | 13,258 | - | - | - | 13,258 |
| Youth computer lab | 935 | - | - | - | 935 |
| Miscellaneous | 336 | - | - | 4,518 | 4,854 |
| Credit card fees | 14,060 | - | - | - | 14,060 |
| Youth program costs | 35,750 | - | - | - | 35,750 |
| Interest | 12,121 | - | 21,957 | - | 34,078 |
| Repairs and maintenance | 15,477 | - | - | - | 15,477 |
| Facility costs | 36,097 | - | - | - | 36,097 |
| Transportation and vehicle in-kind | 10,514 | - | - | - | 10,514 |
| Depreciation | 52,036 | - | - | 3,492 | 55,528 |
| Total Expenses | \$ 1,293,735 | \$ 159,282 | \$ 229,065 | \$ 184,125 | \$ 1,866,207 |

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

The Cookie Cart
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 449,325 | \$ 553,282 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 114,076 | 55,528 |
| (Increase) decrease in assets | | |
| Accounts receivable | (22,001) | (26,226) |
| Promises to give | 231,359 | 186,262 |
| Inventory | (14,230) | 6,283 |
| Prepays | (35,145) | 5,749 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (419) | 708 |
| Unearned revenue | 1,074 | - |
| Accrued payroll and compensated absences | 26,300 | 5,900 |
| Net Cash Provided by Operating Activities | <u>750,339</u> | <u>787,486</u> |
| Cash Flows from Investing Activities | | |
| Construction in process | - | (734,354) |
| Purchase of property and equipment | (1,663,219) | (18,295) |
| Net Cash Used by Investing Activities | <u>(1,663,219)</u> | <u>(752,649)</u> |
| Cash Flows from Financing Activities | | |
| Principal paid on notes payable | (35,288) | (34,094) |
| Proceeds from notes payable | 1,084,657 | - |
| Net Cash Provided (Used) by Financing Activities | <u>1,049,369</u> | <u>(34,094)</u> |
| Increase in Cash and Cash Equivalents | 136,489 | 743 |
| Cash and Cash Equivalents, January 1 | <u>1,318,686</u> | <u>1,317,943</u> |
| Cash and Cash Equivalents, December 31 | <u>\$ 1,455,175</u> | <u>\$ 1,318,686</u> |
| Supplemental Disclosure of Non-Cash Flow Information | | |
| Donated materials and services | <u>\$ 241,001</u> | <u>\$ 292,456</u> |
| Interest paid | <u>\$ 58,283</u> | <u>\$ 34,078</u> |

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

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

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 2018, Cookie Cart's programming served 201 teens ages 15-18 in Minneapolis and 58 teens in St. Paul. A majority qualified for free or reduced lunch and over 95 percent are from communities of color.

Cookie Cart's strategic plan for 2019-2021 has four main goals: 1) Expand learning experiences for youth within our growing social enterprise, 2) Grow earned income and profitability through optimized bakery operations and sales, 3) Increase and diversify contributed income, and 4) Build internal capacity to support the organization's mission and growth. For the next three years, Cookie Cart is working to ensure financial sustainability, mission-driven program excellence and sufficient infrastructure to support our growing organization.

B. Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and, accordingly, reflect all significant receivables, payables and other liabilities.

C. Basis of Presentation

Contributions received are recorded as an increase in support without donor restrictions or with donor restrictions, depending on the existence and nature of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - 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.

With Donor Restrictions - 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 support with donor restrictions at the time of receipt and as net assets released from restrictions. Some resources are subject to the donor imposed restriction that they be maintained permanently by 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.

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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 was deemed necessary by management for the years ended December 31, 2018 and 2017.

G. Pledges Receivable (Promises to Give)

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Pledges are recorded, net of any discount to present value. No present value discount was deemed necessary as of December 31, 2018.

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 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> |
|---------------------------|----------------------------------|
| Building and Improvements | 20 - 39.5 |
| Bakery Equipment | 10 |
| Furniture and Fixtures | 5 - 20 |
| Vehicles | 5 |

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 support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

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 \$241,001 and \$292,456 of contributed inventory and services during 2018 and 2017, respectively, as detailed below:

| Item | Value | |
|-----------------------------|-------------------|-------------------|
| | 2018 | 2017 |
| Ingredients and Event Items | \$ 68,897 | \$ 70,522 |
| Butter Ingredients | 51,413 | 13,246 |
| Step-up Wages | 57,727 | 44,417 |
| Legal Services | 11,657 | 81,547 |
| Computer Services | 25,126 | 10,606 |
| Other | 26,181 | 72,118 |
| Total | <u>\$ 241,001</u> | <u>\$ 292,456</u> |

J. Statements of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, some costs are directly related to individual functions and other costs have been allocated based on management estimates. Wages are allocated based on staff time studies of how time is spent on each function.

K. Advertising

The Organization expenses the costs of advertising as incurred. Advertising expenses were \$2,629 and \$6,277 for the years ended December 31, 2018 and 2017, 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 14, 2019, the date the financial statements were available to be issued.

Note 2: Pledges Receivable

The balance of pledges receivable are as follows:

| | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| Less Than One Year | \$ 141,667 | \$ 330,117 |
| One to Five Years | 10,000 | 56,500 |
| Total Pledges Receivable | <u>151,667</u> | <u>386,617</u> |
| Less Discount to Present Value | <u>-</u> | <u>(3,591)</u> |
| Net Pledges Receivable | <u>\$ 151,667</u> | <u>\$ 383,026</u> |

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 3: Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. The 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 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

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.

Following is a description of the valuation methodologies used to measure assets at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Beneficial Interest in Assets Held by Others: Valued as a practical expedient, at the fair value of the Organization's share of the Catholic Community Foundation's (the Foundation) investment pool as of the measurement date (see Note 7). The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The beneficial interest in assets held by the Foundation is \$100,000 at December 31, 2018 and 2017.

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 4: Inventory

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, 2018 and 2017 was \$47,475 and \$33,245, respectively.

Note 5: 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 \$22,658 and \$16,855 for the years ended December 31, 2018 and 2017, respectively.

Note 6: Construction in Process

In June of 2015, The Cookie Cart purchased a building in the Payne-Phalen neighborhood of St. Paul for \$387,500 and started renovations in the fall of 2017. Construction in process at December 31, 2018 and 2017 is valued at \$- and \$1,210,738, respectively, including architect fees, construction fees and other expenses. A new Cookie Cart location that employs East Side teens opened in May 2018 and all construction in process was transferred to its respective fixed asset accounts.

Note 7: Beneficial Interest in Endowment Assets Held by Others

The beneficial interest in endowment assets held by others consists of endowment funds held for the Organization by another public charity for the purpose of providing support for The Cookie Cart. The funds are invested in various equity, fixed income, private capital and real estate asset funds. The value of these funds at December 31, 2018 and 2017 was \$100,000.

Note 8: 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, 2018 and 2017 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 2015 are closed. No returns are currently under examination in any tax jurisdiction.

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 9: Long-term Debt

At December 31, 2018 and 2017, long-term debt was as follows:

| | 2018 | 2017 |
|---|--------------|------------|
| Mortgage note payable to Bremer Bank, due in monthly payments of \$3,175 including interest at FHLB plus 2.65% (total 4.54%). The payment schedule reflects a 20 year amortization; all unpaid principal and interest is payable in full on April 1, 2020. The note is collateralized by property and equipment. | \$ 430,640 | \$ 449,211 |
| Mortgage note payable to Bremer Bank, due in monthly payments of \$2,069 including interest at 4.88%. The payment schedule reflects a 30 year amortization; all unpaid principal and accrued interest is payable in full on June 1, 2020. The note is secured by assets of the organization. | 217,645 | 231,341 |
| Note payable to the City of St. Paul, due in monthly payments of \$920 including interest at 2%. The term is 11 years but the payment schedule reflects a 25 year amortization; all unpaid principal and accrued interest is payable in full on October 1, 2028. The note is secured by assets of the organization. | 96,979 | - |
| Forgivable loan payable to East Side Neighborhood Development Company. The loan bears no interest and is forgivable on September 22, 2024 provided the loan conditions are met. | 49,990 | - |
| Construction loan payable to Bremer Bank. Principal payments are due in the amount of \$275,000 on September 21, 2019, \$276,000 on September 21, 2020, and \$275,000 on September 21, 2021. The interest rate will be 2.27% in excess of the 1 month LIBOR rate, but will not be less than 3.50%. All unpaid principal and interest is due on September 1, 2021. The due date of the September 21, 2021 principal payment may be extended 5 years to September 1, 2026. The note is secured by assets of the organization. | 826,000 | - |
| Construction loan payable to Bremer Bank. Principal payments are due in the amount of \$21,667 on September 21, 2019, and \$87,000 on September 21, 2020. The interest rate will be 2.27% in excess of the 1 month LIBOR rate, but will not be less than 3.50%. All unpaid principal and interest is due on September 1, 2020. The note is secured by assets of the organization. | 108,667 | - |
| Total Long-term Debt | 1,729,921 | 680,552 |
| Less Amounts Due Within One Year | (349,159) | (32,267) |
| Long-term Portion | \$ 1,380,762 | \$ 648,285 |

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 9: Long-term Debt (Continued)

Scheduled future principal payments due under the agreement are as follows:

| Year | Amount |
|------------|----------------------------|
| 2019 | \$ 349,159 |
| 2020 | 993,982 |
| 2021 | 291,685 |
| 2022 | 16,878 |
| 2023 | 17,075 |
| Thereafter | 61,142 |
| Total | <u><u>\$ 1,729,921</u></u> |

Note 10: Line of Credit

The Organization has access to a \$100,000 line of credit at Bremer Bank. As of December 31, 2018 and 2017, there was no balance on this line of credit. The agreement expires on May 13, 2019.

Note 11: Net Assets without Donor Restrictions

Net assets without donor restrictions at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|----------------------------|----------------------------|
| Unrestricted | \$ 3,153,342 | \$ 2,905,812 |
| Board-designated for Future Operations and Debt Payments | 1,000,000 | - |
| Total Net Assets Without Donor Restrictions | <u><u>\$ 4,153,342</u></u> | <u><u>\$ 2,905,812</u></u> |

Note 12: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|-----------------------------------|--------------------------|----------------------------|
| General Program Development | \$ 127,500 | \$ - |
| Investment Campaign | 35,350 | - |
| Program Development - St. Paul | 20,000 | - |
| Capacity Campaign - St. Paul Site | - | 981,055 |
| Endowment Fund | 100,000 | 100,000 |
| Total | <u><u>\$ 282,850</u></u> | <u><u>\$ 1,081,055</u></u> |

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 13: Endowments

The Organization has established permanent endowment funds from contributions made by donors for this purpose. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Composition and Changes in Endowment Net Assets

Endowment net asset composition as of December 31, 2018 and 2017:

| | Amount |
|---------------------------|------------|
| Balance December 31, 2016 | \$ - |
| Contributions | 100,000 |
| Balance December 31, 2017 | 100,000 |
| Contributions | - |
| Balance December 31, 2018 | \$ 100,000 |

The Cookie Cart
Notes to the Financial Statements
December 31, 2018 and 2017

Note 14: Liquidity and Available Resources

Financial assets consist of the Organization's cash and cash equivalents, investments, and net accounts receivable. The following represents the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of December 31, 2018 because of contractual or board restriction:

| | |
|---|-------------------|
| Financial Assets, at December 31* | \$ 1,689,697 |
| Less those unavailable for general expenditure within one year, due to: | |
| Contractual or board-imposed restrictions: | |
| Board-designated funds for future operations and debt payments | (1,000,000) |
| Restricted for endowment | (100,000) |
| Restricted for program development | (147,500) |
| Restricted for investment campaign | <u>(35,350)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 406,847</u> |

* Total assets, less nonfinancial assets (e.g., PP&E, inventory, prepaids)

The Cookie Cart's board of directors has approved and continuously monitors a comprehensive set of policies that govern the responsibilities and limitations of executive management. Management routinely monitors liquidity and cash reserves which fund operations and program service delivery in accordance with these board established policies. Additionally, liquidity measures are tracked, provided and discussed with the board of directors as part of regular reporting cycle.