

Financial Statements

The Cookie Cart
Minneapolis, Minnesota

For the Years Ended
December 31, 2019 and 2018

The Cookie Cart
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December 31, 2019 and 2018

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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, 2019 and 2018 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, 2019 and 2018, 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
July 1, 2020

FINANCIAL STATEMENTS

The Cookie Cart
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 675,949	\$ 1,455,175
Accounts receivable, net of allowance of \$5,600 and \$0 for 2019 and 2018, respectively	112,667	92,855
Promises to give, current, net of allowances of \$6,000 and \$0 for 2019 and 2018, respectively	682,658	141,667
Inventory	85,559	47,475
Prepaid expenses	-	54,552
Total Current Assets	1,556,833	1,791,724
Property and Equipment		
Land	88,750	88,750
Building and improvements	4,554,259	4,554,259
Vehicles	18,295	18,295
Bakery equipment	211,067	205,248
Furniture and fixtures	85,496	72,486
Property and Equipment, Cost	4,957,867	4,939,038
Less Accumulated Depreciation	(759,897)	(618,181)
Property and Equipment, Net	4,197,970	4,320,857
Noncurrent Assets		
Beneficial interest in endowment assets held by others	100,000	100,000
Promises to give, noncurrent, net of allowance	110,000	10,000
Total Noncurrent Assets	210,000	110,000
Total Assets	\$ 5,964,803	\$ 6,222,581
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 25,187	\$ 3,267
Note payable, current portion	997,422	349,159
Accrued payroll and compensated absences	61,638	52,127
Unearned revenue	-	1,074
Total Current Liabilities	1,084,247	405,627
Long-term Liabilities		
Note payable, noncurrent portion	396,285	1,380,762
Total Liabilities	1,480,532	1,786,389
Net Assets		
Net assets without donor restrictions:		
Undesignated	2,764,907	3,153,342
Board designated	750,000	1,000,000
Net assets with donor restrictions:		
Capacity campaign	712,000	-
Investment campaign	35,350	35,350
Program development	122,014	147,500
Endowment	100,000	100,000
Total Net Assets	4,484,271	4,436,192
Total Liabilities and Net Assets	\$ 5,964,803	\$ 6,222,581

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

The Cookie Cart
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Support				
Donations and contributions	\$ 166,957	\$ 132,014	\$ 298,971	\$ 1,161,317
Donated materials and services	185,323	-	185,323	241,001
Grants	830,844	712,000	1,542,844	661,230
Special events				
Revenue	226,056	-	226,056	257,691
Expense	(56,049)	-	(56,049)	(63,085)
Net special events	170,007	-	170,007	194,606
Total Support	<u>1,353,131</u>	<u>844,014</u>	<u>2,197,145</u>	<u>2,258,154</u>
Revenue				
Sales of cookies	530,220	-	530,220	571,063
Delivery revenue	54,860	-	54,860	67,607
Interest	13,047	-	13,047	8,316
Rental and other	32,984	-	32,984	30,000
Total Revenue	<u>631,111</u>	<u>-</u>	<u>631,111</u>	<u>676,986</u>
Reclassifications				
Net assets released from restrictions				
Restriction satisfied by time	147,500	(147,500)	-	-
Restriction satisfied by payments	10,000	(10,000)	-	-
Total Support and Revenue	<u>2,141,742</u>	<u>686,514</u>	<u>2,828,256</u>	<u>2,935,140</u>
Expenses				
Program services				
Education/bakery	2,193,674	-	2,193,674	1,918,228
Support services				
Fundraising - General	264,760	-	264,760	346,148
Fundraising - Capacity Campaign	98,985	-	98,985	52,443
Administration	222,758	-	222,758	168,996
Total Expenses	<u>2,780,177</u>	<u>-</u>	<u>2,780,177</u>	<u>2,485,815</u>
Change in Net Assets	(638,435)	686,514	48,079	449,325
Net Assets, January 1	<u>4,153,342</u>	<u>282,850</u>	<u>4,436,192</u>	<u>3,986,867</u>
Net Assets, December 31	<u>\$ 3,514,907</u>	<u>\$ 969,364</u>	<u>\$ 4,484,271</u>	<u>\$ 4,436,192</u>

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

The Cookie Cart
Statement of Activities (Continued)
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Donations and contributions	\$ 345,818	\$ 815,499	\$ 1,161,317
Donated materials and services	227,364	13,637	241,001
Grants	661,230	-	661,230
Special events			
Revenue	257,691	-	257,691
Expense	(63,085)	-	(63,085)
Net special events	<u>194,606</u>	<u>-</u>	<u>194,606</u>
Total Support	<u>1,429,018</u>	<u>829,136</u>	<u>2,258,154</u>
Revenue			
Sales of cookies	571,063	-	571,063
Delivery revenue	67,607	-	67,607
Interest	8,316	-	8,316
Rental and other	30,000	-	30,000
Total Revenue	<u>676,986</u>	<u>-</u>	<u>676,986</u>
Reclassifications			
Net assets released from restrictions			
Restriction satisfied by time	994,692	(994,692)	-
Restriction satisfied by payments	<u>632,649</u>	<u>(632,649)</u>	<u>-</u>
Total Support and Revenue	<u>3,733,345</u>	<u>(798,205)</u>	<u>2,935,140</u>
Expenses			
Program services			
Education/bakery	1,918,228	-	1,918,228
Support services			
Fundraising - General	346,148	-	346,148
Fundraising - Capacity Campaign	52,443	-	52,443
Administration	168,996	-	168,996
Total Expenses	<u>2,485,815</u>	<u>-</u>	<u>2,485,815</u>
Change in Net Assets	1,247,530	(798,205)	449,325
Net Assets, January 1	<u>2,905,812</u>	<u>1,081,055</u>	<u>3,986,867</u>
Net Assets, December 31	<u>\$ 4,153,342</u>	<u>\$ 282,850</u>	<u>\$ 4,436,192</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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

Expenses	2019				2018	
	Program Services	Support Services			Total Expenses	Total Expenses
	Education/ Bakery	Fundraising		Administration		
		General	Capital Campaign			
Wages and benefits						
Adult wages - Minneapolis	\$ 294,179	\$ 131,177	\$ 87,451	\$ 103,771	\$ 616,578	\$ 637,096
Adult wages - St. Paul	139,604	93,361		47,307	280,272	188,426
Youth wages - Minneapolis	296,411	-	-	-	296,411	335,480
Youth wages - St. Paul	188,874	-	-	-	188,874	97,605
Benefits and taxes	125,449	29,882	7,522	10,096	172,949	176,932
Cookie production costs						-
Ingredients and supplies	165,788	-	-	-	165,788	224,878
Wages - Minneapolis	128,775	-	-	-	128,775	138,997
Wages - St. Paul	129,751	-	-	-	129,751	62,641
Cookie sales and delivery costs	76,455	-	-	-	76,455	89,778
Printing and office supplies	12,300	3,056	3,693	-	19,049	18,607
Insurance	43,283	-	-	-	43,283	41,457
Dues and subscriptions	-	-	-	2,869	2,869	5,426
Utilities	54,091	-	-	-	54,091	53,923
Advertising	5,186	4,800	-	-	9,986	2,629
Professional services	16,200	-	-	37,411	53,611	19,286
Training	16,786	-	-	-	16,786	17,031
Events and relationship development	-	2,484	319	-	2,803	4,836
St. Paul site costs	-	-	-	-	-	9,199
Program evaluation	-	-	-	-	-	5,942
Miscellaneous	48,172	-	-	21,304	69,476	14,259
Credit card fees	8,578	-	-	-	8,578	16,963
Youth program expenses	42,571	-	-	-	42,571	18,591
Interest	67,735	-	-	-	67,735	58,283
Repairs and maintenance	33,995	-	-	-	33,995	22,755
Facility costs	154,952	-	-	-	154,952	107,009
Transportation	2,823	-	-	-	2,823	3,710
Depreciation	141,716	-	-	-	141,716	114,076
Total Expenses	\$ 2,193,674	\$ 264,760	\$ 98,985	\$ 222,758	\$ 2,780,177	\$ 2,485,815

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, 2018

Expenses	Program	Support Services			Total Expenses
	Services	Fundraising			
	Education/ Bakery	General	Capital Campaign	Administration	
Wages and benefits					
Adult wages - Minneapolis	\$ 298,503	\$ 220,036	\$ 26,034	\$ 92,523	\$ 637,096
Adult wages - St. Paul	106,332	58,658	-	23,436	188,426
Youth wages - Minneapolis	335,480	-	-	-	335,480
Youth wages - St. Paul	97,605	-	-	-	97,605
Benefits and taxes	107,189	55,094	5,207	9,442	176,932
Cookie production costs					
Ingredients and supplies	224,878	-	-	-	224,878
Wages - Minneapolis	138,997	-	-	-	138,997
Wages - St. Paul	62,641	-	-	-	62,641
Cookie sales and delivery costs	89,778	-	-	-	89,778
Printing and office supplies	11,083	7,524	-	-	18,607
Insurance	41,457	-	-	-	41,457
Dues and subscriptions	-	-	-	5,426	5,426
Utilities	50,054	-	-	3,869	53,923
Advertising	2,629	-	-	-	2,629
Professional services	-	-	-	19,286	19,286
Training	17,031	-	-	-	17,031
Events and relationship development	-	4,836	-	-	4,836
St. Paul site costs	-	-	9,199	-	9,199
Program evaluation	5,942	-	-	-	5,942
Miscellaneous	2,737	-	-	11,522	14,259
Credit card fees	16,963	-	-	-	16,963
Youth program expenses	18,591	-	-	-	18,591
Interest	46,280	-	12,003	-	58,283
Repairs and maintenance	22,755	-	-	-	22,755
Facility costs	107,009	-	-	-	107,009
Transportation	3,710	-	-	-	3,710
Depreciation	110,584	-	-	3,492	114,076
Total Expenses	\$ 1,918,228	\$ 346,148	\$ 52,443	\$ 168,996	\$ 2,485,815

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

The Cookie Cart
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 48,079	\$ 449,325
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	141,716	114,076
(Increase) decrease in assets		
Accounts receivable	(19,812)	(22,001)
Promises to give	(640,991)	231,359
Inventory	(38,084)	(14,230)
Prepaid expenses	54,552	(35,145)
Increase (decrease) in liabilities		
Accounts payable	21,920	(419)
Unearned revenue	(1,074)	1,074
Accrued payroll and compensated absences	9,511	26,300
Net Cash Provided (Used) by Operating Activities	(424,183)	750,339
Cash Flows from Investing Activities		
Purchase of property and equipment	(18,829)	(1,663,219)
Cash Flows from Financing Activities		
Principal paid on notes payable	(336,214)	(35,288)
Proceeds from notes payable	-	1,084,657
Net Cash Provided (Used) by Financing Activities	(336,214)	1,049,369
Increase (Decrease) in Cash and Cash Equivalents	(779,226)	136,489
Cash and Cash Equivalents, January 1	1,455,175	1,318,686
Cash and Cash Equivalents, December 31	\$ 675,949	\$ 1,455,175
Supplemental Disclosure of Non-Cash Flow Information		
Donated materials and services	\$ 185,323	\$ 241,001
Interest paid	\$ 67,735	\$ 58,283

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

The Cookie Cart
Notes to the Financial Statements
December 31, 2019 and 2018

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 2019, Cookie Cart's programming served 247 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 plan for 2020-2021 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 on the accrual basis of accounting 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, 2019 and 2018

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, 2019 and 2018, 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. An allowance for uncollectible accounts of \$5,600 and \$0 was recorded for the years ended December 31, 2019 and 2018, respectively.

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 and allowance for uncollectible pledges. No present value discount was deemed necessary, and the allowance for uncollectible pledges was \$6,000 and \$0 as of December 31, 2019 and 2018, respectively.

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

Depreciation expense was \$141,716 and \$114,076 at December 31, 2019 and 2018, respectively.

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, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

I. Support and Revenue Recognition

Support is recognized when the donor makes a promise to give to the Organization and there is sufficient evidence in the form of verifiable documentation that a promise was made and received. Revenue is recognized when services have been performed.

J. Donated Materials, Services and Property and Equipment

The Organization receives donated inventory, services, and property and equipment. These items are recorded at their fair market value on the date of the donation. In the case of donated services, the Organization records the value of the services based on fair market value if those services create or enhance nonfinancial assets and if they require a specialized skill that would have to be purchased if not donated. The Organization recognized \$185,323 and \$241,001 of contributed inventory and services during 2019 and 2018, respectively, as detailed below:

Item	Value	
	2019	2018
Ingredients and Event Items	\$ 48,399	\$ 68,897
Butter Ingredients	56,814	51,413
Step-up Wages	55,165	57,727
Legal Services	9,810	11,657
Computer Services	7,956	25,126
Other	7,179	26,181
	\$ 185,323	\$ 241,001
Total		

K. 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.

L. Advertising

The Organization expenses the costs of advertising as incurred. Advertising expenses were \$9,986 and \$2,629 for the years ended December 31, 2019 and 2018, respectively.

M. Shipping and Handling Costs

Shipping and handling costs are included in product costs.

N. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 1, 2020, the date the financial statements were available to be issued.

In April 2020, the mortgage notes payable coming due in 2020 are in the process of being refinanced.

Due to the economic uncertainty as a result of the COVID-19 pandemic in early 2020, the Organization may experience reduced demand for cookie sales and a decrease in contributions and grants. This may require the Organization to revise their revenue forecasts and reconsider the collectability of their current receivables.

The Cookie Cart
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: 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, 2019 and 2018.

Beneficial Interest in Assets Held by Others: Value is measured using the appropriate percentage of the fair value of the assets held at the Catholic Community Foundation as reported by the Foundation's management as of the measurement date (see also Note 6). The Foundation values securities and other financial instruments on a fair value basis of accounting. The Organization considers the measurement of its beneficial interest in the Foundation's assets to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the appropriate percentage of the unadjusted fair value of the assets in the fund pool, the Organization will never receive those assets or have the ability to direct the Foundation's management to redeem them.

	2019		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 100,000
	2018		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 100,000

The Cookie Cart
Notes to the Financial Statements
December 31, 2019 and 2018

Note 3: Pledges Receivable

The balance of pledges receivable are as follows:

	2019	2018
Less Than One Year	\$ 682,658	\$ 141,667
One to Five Years	116,000	10,000
Total Pledges Receivable	798,658	151,667
Less Allowance for Uncollectible Pledges	(6,000)	-
Net Pledges Receivable	\$ 792,658	\$ 151,667

Note 4: Inventory

Inventory consists of cookie ingredients, plus packaging and other supplies valued at actual costs. Donated items are valued at fair market value on the date of donation. Total inventory as of December 31, 2019 and 2018 was \$85,559 and \$47,475, 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 \$17,902 and \$22,658 for the years ended December 31, 2019 and 2018, respectively.

Note 6: 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, 2019 and 2018 was \$100,000.

Note 7: 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, 2019 and 2018 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 2016 are closed. No returns are currently under examination in any tax jurisdiction.

The Cookie Cart
Notes to the Financial Statements
December 31, 2019 and 2018

Note 8: Long-term Debt

At December 31, 2019 and 2018, long-term debt was as follows:

	2019	2018
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, and will be refinanced in early 2020.	\$ 413,459	\$ 430,640
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 and will be refinanced in 2020.	204,466	217,645
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.	87,792	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	49,990
Construction loan payable to Bremer Bank. Principal payments are due in the amount of \$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.	551,000	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.	87,000	108,667
Total Long-term Debt	1,393,707	1,729,921
Less Amounts Due Within One Year	(997,422)	(349,159)
Long-term Portion	\$ 396,285	\$ 1,380,762

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Note 8: Long-term Debt (Continued)

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

Year	Amount
2020	\$ 997,422
2021	291,685
2022	16,878
2023	17,075
2024	17,275
Thereafter	53,372
Total	<u>\$ 1,393,707</u>

Note 9: Line of Credit

The Organization has access to a \$100,000 line of credit at Bremer Bank. As of December 31, 2019 and 2018, there was no balance on this line of credit. Through extensions, the agreement is set to expire on May 13, 2021.

Note 10: Net Assets without Donor Restrictions

Net assets without donor restrictions at December 31, 2019 and 2018 are as follows:

	2019	2018
Unrestricted	\$ 2,764,907	\$ 3,153,342
Board-designated for Future Operations and Debt Payments	750,000	1,000,000
Total Net Assets Without Donor Restrictions	<u>\$ 3,514,907</u>	<u>\$ 4,153,342</u>

Note 11: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are as follows:

	2019	2018
Capacity Campaign	\$ 712,000	\$ -
General Program Development	122,014	127,500
Endowment Fund	100,000	100,000
Investment Campaign	35,350	35,350
Program Development - St. Paul	-	20,000
Total	<u>\$ 969,364</u>	<u>\$ 282,850</u>

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Note 12: Endowment

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 donor-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 and changes as of December 31, 2019 and 2018:

	Amount
Balance December 31, 2017	\$ -
Contributions	100,000
Balance December 31, 2018	100,000
Contributions	-
Balance December 31, 2019	\$ 100,000

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Note 13: 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, 2019 and 2018 reduced by amounts not available for general use within one year because of contractual or board restriction:

	2019	2018
-		
Financial Assets, at December 31		
Cash and cash equivalents	\$ 675,949	1,455,175
Accounts receivable, net of allowance of \$5,600 and \$0	112,667	92,855
Promises to give, net	792,658	141,667
Total financial assets	1,581,274	1,689,697
Less those unavailable for general expenditure within one year, due to:		
Contractual or board-designated restrictions:		
Board-designated funds for future operations and debt payments	(750,000)	(1,000,000)
Restricted for capacity campaign	(712,000)	-
Restricted for endowment	(100,000)	(100,000)
Restricted for program development	(122,014)	(147,500)
Restricted for investment campaign	(35,350)	(35,350)
Donor-restricted promises to give (time restriction)	(110,000)	-
Total asses unavailable for general expenditure within one year	(1,829,364)	(1,282,850)
Financial assets available to meet cash needs		
for general expenditures within one year	\$ (248,090)	\$ 406,847

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.