

# Financial Statements

## The Cookie Cart Minneapolis, Minnesota

For the Years Ended  
December 31, 2020 and 2019

The Cookie Cart  
Table of Contents  
December 31, 2020 and 2019

	<u>Page No.</u>
<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Statements of Financial Position	5
Statements of Activities - For the Year Ended December 31, 2020	7
Statements of Activities - For the Year Ended December 31, 2019	8
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12



## 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, 2020 and 2019 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, 2020 and 2019, 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 30, 2021

## FINANCIAL STATEMENTS

The Cookie Cart  
Statements of Financial Position  
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,522,392	\$ 675,949
Accounts receivable, net of allowance of \$9,000 and \$5,600 for 2020 and 2019, respectively	165,280	112,667
Promises to give, current, net of allowances of \$0 and \$6,000 for 2020 and 2019, respectively	273,242	682,658
Inventory	73,321	85,559
Prepaid expenses	17,576	-
Total Current Assets	2,051,811	1,556,833
Property and Equipment		
Land	88,750	88,750
Building and improvements	4,582,363	4,554,259
Bakery equipment	211,067	211,067
Furniture and fixtures	86,928	85,496
Vehicles	18,295	18,295
Capital assets in progress	39,300	-
Property and Equipment, Cost	5,026,703	4,957,867
Less Accumulated Depreciation	(905,097)	(759,897)
Property and Equipment, Net	4,121,606	4,197,970
Noncurrent Assets		
Beneficial interest in endowment assets held by others	100,000	100,000
Promises to give, noncurrent, net of allowance	50,000	110,000
Total Noncurrent Assets	150,000	210,000
Total Assets	\$ 6,323,417	\$ 5,964,803

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

**The Cookie Cart**  
**Statements of Financial Position (Continued)**  
**December 31, 2020 and 2019**

	2020	2019
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 53,606	\$ 25,187
Note payable, current portion	70,138	997,422
Accrued payroll and compensated absences	148,121	61,638
<b>Total Current Liabilities</b>	<b>271,865</b>	<b>1,084,247</b>
<b>Long-term Liabilities</b>		
Note payable, noncurrent portion, net of deferred refinance costs of \$11,838 and \$0 in 2020 and 2019, respectively	1,264,723	396,285
<b>Total Liabilities</b>	<b>1,536,588</b>	<b>1,480,532</b>
<b>Net Assets</b>		
<b>Net assets without donor restrictions:</b>		
Undesignated	3,618,587	2,764,907
Board designated	750,000	750,000
<b>Total net assets without donor restrictions</b>	<b>4,368,587</b>	<b>3,514,907</b>
<b>Net assets with donor restrictions:</b>		
Capacity campaign	318,242	712,000
Investment campaign	-	35,350
Program development	-	122,014
Endowment	100,000	100,000
<b>Total net assets with donor restrictions</b>	<b>418,242</b>	<b>969,364</b>
<b>Total Net Assets</b>	<b>4,786,829</b>	<b>4,484,271</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,323,417</b>	<b>\$ 5,964,803</b>

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

**The Cookie Cart**  
**Statements of Activities**  
For the Year Ended December 31, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Support				
Donations and contributions	\$ 425,930	\$ 69,409	\$ 495,339	\$ 298,971
Donated materials and services	170,434	-	170,434	185,323
Grants	1,409,408	132,833	1,542,241	1,542,844
Government grant - PPP funds	303,700	-	303,700	-
Special events				
Revenue	236,322	-	236,322	226,056
Expense	(37,771)	-	(37,771)	(56,049)
Net Special Events	<u>198,551</u>	<u>-</u>	<u>198,551</u>	<u>170,007</u>
Total Support	<u>2,508,023</u>	<u>202,242</u>	<u>2,710,265</u>	<u>2,197,145</u>
Revenue				
Sales of cookies	433,385	-	433,385	530,220
Delivery revenue	29,950	-	29,950	54,860
Interest	7,843	-	7,843	13,047
Rental and other	25,000	-	25,000	32,984
Total Revenue	<u>496,178</u>	<u>-</u>	<u>496,178</u>	<u>631,111</u>
Reclassifications				
Net assets released from restrictions				
Restriction satisfied by time	<u>753,364</u>	<u>(753,364)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,757,565</u>	<u>(551,122)</u>	<u>3,206,443</u>	<u>2,828,256</u>
Expenses				
Program services	2,161,785	-	2,161,785	2,193,674
Support services				
Fundraising - General	272,949	-	272,949	264,760
Fundraising - Capacity Campaign	79,313	-	79,313	98,985
Administration	389,838	-	389,838	222,758
Total Expenses	<u>2,903,885</u>	<u>-</u>	<u>2,903,885</u>	<u>2,780,177</u>
Change in Net Assets	853,680	(551,122)	302,558	48,079
Net Assets, January 1	<u>3,514,907</u>	<u>969,364</u>	<u>4,484,271</u>	<u>4,436,192</u>
Net Assets, December 31	<u>\$ 4,368,587</u>	<u>\$ 418,242</u>	<u>\$ 4,786,829</u>	<u>\$ 4,484,271</u>

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

**The Cookie Cart**  
**Statements of Activities (Continued)**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Donations and contributions	\$ 166,957	\$ 132,014	\$ 298,971
Donated materials and services	185,323	-	185,323
Grants	830,844	712,000	1,542,844
Special events			
Revenue	226,056	-	226,056
Expense	(56,049)	-	(56,049)
Net Special Events	170,007	-	170,007
Total Support	1,353,131	844,014	2,197,145
Revenue			
Sales of cookies	530,220	-	530,220
Delivery revenue	54,860	-	54,860
Interest	13,047	-	13,047
Rental and other	32,984	-	32,984
Total Revenue	631,111	-	631,111
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	2,141,742	686,514	2,828,256
Expenses			
Program services			
Education/Bakery	2,193,674	-	2,193,674
Support services			
Fundraising - General	264,760	-	264,760
Fundraising - Capacity Campaign	98,985	-	98,985
Administration	222,758	-	222,758
Total Expenses	2,780,177	-	2,780,177
Change in Net Assets	(638,435)	686,514	48,079
Net Assets, January 1	4,153,342	282,850	4,436,192
Net Assets, December 31	\$ 3,514,907	\$ 969,364	\$ 4,484,271

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



The Cookie Cart  
 Statements of Functional Expenses  
 For the Year Ended December 31, 2020  
 (With Comparative Totals for the Year Ended December 31, 2019)

	2020										2019	
	Program Services					Support Services					Total Expenses	Total Expenses
	Youth Development	Cookie Production	Sales and Marketing	Volunteer	Total Program Services	Fundraising		Administration	Total Support Services			
					General	Capital Campaign						
Expenses												
Wages and benefits												
Adult wages	\$ 293,455	\$ 157,699	\$ 187,185	\$ 55,355	\$ 693,694	\$ 40,192	\$ 40,834	\$ 96,770	\$ 177,796	\$ 871,490	\$ 896,850	
Youth wages	268,556	305,336	-	-	573,892	-	-	-	-	573,892	485,285	
Benefits and taxes	78,244	66,100	27,636	8,212	180,192	12,815	7,597	14,696	35,108	215,300	172,949	
Cookie production costs												
Ingredients and supplies	-	149,300	-	-	149,300	-	-	-	-	149,300	165,788	
Wages	-	33,211	-	-	33,211	-	-	-	-	33,211	258,526	
Cookie sales and delivery costs	107	104,581	-	-	104,688	-	-	-	-	104,688	76,455	
Printing and office supplies	3,171	12,321	1,438	425	17,355	5,376	202	3,432	9,010	26,365	19,049	
Insurance	12,869	13,854	4,994	1,679	33,396	1,890	867	2,676	5,433	38,829	43,283	
Dues and subscriptions	999	698	290	99	2,086	102	49	1,278	1,429	3,515	2,869	
Utilities	6,303	10,164	2,543	849	19,859	1,027	455	5,657	7,139	26,998	54,091	
Advertising	-	-	3,283	-	3,283	639	-	-	639	3,922	9,986	
Professional services	31,370	21,077	8,132	2,636	63,215	172,170	28,142	167,716	368,028	431,243	53,611	
Training	5,676	-	-	-	5,676	-	-	554	554	6,230	16,786	
Events and relationship development	-	-	-	-	-	31,099	-	-	31,099	31,099	2,803	
Program evaluation	7,124	-	-	-	7,124	-	-	-	-	7,124	-	
Miscellaneous	1,703	4,694	5,493	254	12,144	2,666	87	32,864	35,617	47,761	69,476	
Credit card fees	-	-	-	-	-	-	-	-	-	-	8,578	
Youth program expenses	42,717	1,511	64	-	44,292	-	-	102	102	44,394	42,571	
Interest	-	-	-	-	-	-	-	55,408	55,408	55,408	67,735	
Repairs and maintenance	2,289	14,931	3,214	208	20,642	426	149	490	1,065	21,707	33,995	
Facility costs	15,333	29,941	5,352	1,789	52,415	4,547	931	7,675	13,153	65,568	154,952	
Transportation	103	18	-	-	121	-	-	1	1	122	2,823	
Depreciation and amortization	-	145,200	-	-	145,200	-	-	519	519	145,719	141,716	
<b>Total Expenses</b>	<b>\$ 770,019</b>	<b>\$ 1,070,636</b>	<b>\$ 249,624</b>	<b>\$ 71,506</b>	<b>\$ 2,161,785</b>	<b>\$ 272,949</b>	<b>\$ 79,313</b>	<b>\$ 389,838</b>	<b>\$ 742,100</b>	<b>\$ 2,903,885</b>	<b>\$ 2,780,177</b>	

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

**The Cookie Cart**  
**Statements of Functional Expenses (Continued)**  
**For the Year Ended December 31, 2019**

Expenses	Program	Support Services			Total Expenses
	Services	Fundraising			
	Education/ Bakery	General	Capital Campaign	Administration	
Wages and benefits					
Adult wages - Minneapolis	\$ 294,179	\$ 131,177	\$ 87,451	\$ 103,771	\$ 616,578
Adult wages - St. Paul	139,604	93,361	-	47,307	280,272
Youth wages - Minneapolis	296,411	-	-	-	296,411
Youth wages - St. Paul	188,874	-	-	-	188,874
Benefits and taxes	125,449	29,882	7,522	10,096	172,949
Cookie production costs					
Ingredients and supplies	165,788	-	-	-	165,788
Wages - Minneapolis	128,775	-	-	-	128,775
Wages - St. Paul	129,751	-	-	-	129,751
Cookie sales and delivery costs	76,455	-	-	-	76,455
Printing and office supplies	12,300	3,056	3,693	-	19,049
Insurance	43,283	-	-	-	43,283
Dues and subscriptions	-	-	-	2,869	2,869
Utilities	54,091	-	-	-	54,091
Advertising	5,186	4,800	-	-	9,986
Professional services	16,200	-	-	37,411	53,611
Training	16,786	-	-	-	16,786
Events and relationship development	-	2,484	319	-	2,803
Miscellaneous	48,172	-	-	21,304	69,476
Credit card fees	8,578	-	-	-	8,578
Youth program expenses	42,571	-	-	-	42,571
Interest	67,735	-	-	-	67,735
Repairs and maintenance	33,995	-	-	-	33,995
Facility costs	154,952	-	-	-	154,952
Transportation	2,823	-	-	-	2,823
Depreciation	141,716	-	-	-	141,716
<b>Total Expenses</b>	<b>\$ 2,193,674</b>	<b>\$ 264,760</b>	<b>\$ 98,985</b>	<b>\$ 222,758</b>	<b>\$ 2,780,177</b>

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

**The Cookie Cart**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 302,558	\$ 48,079
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	145,719	141,716
(Increase) decrease in assets		
Accounts receivable	(52,613)	(19,812)
Promises to give	469,416	(640,991)
Inventory	12,238	(38,084)
Prepaid expenses	(17,576)	54,552
Increase (decrease) in liabilities		
Accounts payable	28,419	21,920
Unearned revenue	-	(1,074)
Accrued payroll and compensated absences	86,483	9,511
Net Cash Provided (Used) by Operating Activities	974,644	(424,183)
Cash Flows from Investing Activities		
Purchases for construction in process	(39,300)	-
Purchase of property and equipment	(29,536)	(18,829)
Net Cash Used by Investing Activities	(68,836)	(18,829)
Cash Flows from Financing Activities		
Principal paid on notes payable	(47,319)	(336,214)
Proceeds from refinanced loan	1,231,794	-
Notes paid off via refinance	(1,243,840)	-
Net Cash Used by Financing Activities	(59,365)	(336,214)
Increase (Decrease) in Cash and Cash Equivalents	846,443	(779,226)
Cash and Cash Equivalents, January 1	675,949	1,455,175
Cash and Cash Equivalents, December 31	\$ 1,522,392	\$ 675,949
Supplemental Disclosure of Non-Cash Flow Information		
Donated materials and services	\$ 170,434	\$ 185,323
Interest paid	\$ 55,408	\$ 67,735

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

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**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 2020, Cookie Cart's programming served 192 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 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, 2020 and 2019

**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, 2020 and 2019, 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 \$9,000 and \$5,600 was recorded for the years ended December 31, 2020 and 2019, 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 \$0 and \$6,000 as of December 31, 2020 and 2019, 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 \$145,200 and \$141,716 at December 31, 2020 and 2019, 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, 2020 and 2019

**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 performance obligations have been fulfilled; specifically, 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

**K. Upcoming Accounting Pronouncements**

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2020 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in 2021. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

**L. Functional Allocations**

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.

Cookie Cart conducted a time study in late 2019, tracking closely the direct labor involved in the production each type of cookie. The varying types of cookie production include regular cookies, iced, hand decorated, and individually wrapped. Based on this study, a dollar allocation was assigned to the production of each type of cookie being produced. This allocation was used in the 2020 cost of goods sold accounting, averaging around 8%, which was much less than in prior years. Prior years allocation also included supervisor and other administrative time. This updated allocation methodology better reflects the direct cost of cookie production and the understanding the true margin in cookie sales.

**M. Advertising**

The Organization expenses the costs of advertising as incurred. Advertising expenses were \$3,922 and \$9,986 for the years ended December 31, 2020 and 2019, respectively.

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**N. Shipping and Handling Costs**

Shipping and handling costs are included in product costs.

**O. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date the financial statements were available to be issued.

Beginning on January 1, 2021, the Organization will change its fiscal year-end to June 30.

**Note 2: Pledges Receivable**

The balance of pledges receivable are as follows:

	2020	2019
Less Than One Year	\$ 273,242	\$ 682,658
One to Five Years	50,000	116,000
Total Pledges Receivable	323,242	798,658
Less Allowance for Uncollectible Pledges	-	(6,000)
Net Pledges Receivable	\$ 323,242	\$ 792,658

**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.

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 3: Fair Value Measurements (Continued)**

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, 2020 and 2019.

*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.

	2020		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 100,000
	2019		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 100,000

**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, 2020 and 2019 was \$73,321 and \$85,559, 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 \$16,778 and \$17,902 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 was \$100,000.



**The Cookie Cart**  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 7: Long-term Debt**

At December 31, 2020 and 2019, long-term debt was as follows:

	<u>2020</u>	<u>2019</u>
Note payable to Bremer Bank, refinanced from previous notes payable, due in monthly payments of \$9,518 including interest at 4.50%. The payment schedule reflects a 10 year amortization; all unpaid principal and interest is payable in full on June 1, 2030. The note is secured by assets of the organization.	\$ 1,219,077	\$ -
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. The note was consolidated and refinanced in July 2020.	-	413,459
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. The note was consolidated and refinanced in July 2020.	-	204,466
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.	77,632	87,792
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. The note was consolidated and refinanced in July 2020.	-	551,000
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. The note was consolidated and refinanced in July 2020.	-	87,000
Total Long-term Debt	1,346,699	1,393,707
Less Refinance Costs, net	(11,838)	-
Less Amounts Due Within One Year	<u>(70,138)</u>	<u>(997,422)</u>
Long-term Portion	<u>\$ 1,264,723</u>	<u>\$ 396,285</u>

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 7: Long-term Debt (Continued)**

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

Year	Amount
2021	\$ 70,138
2022	73,114
2023	76,222
2024	129,458
2025	82,858
Thereafter	914,909
<b>Total</b>	<b>\$ 1,346,699</b>

**Note 8: Line of Credit**

The Organization has access to a \$100,000 line of credit at Bremer Bank. As of December 31, 2020 and 2019, there was no balance on this line of credit. Through extensions, the agreement is set to expire on May 13, 2021.

**Note 9: In-kind Donations**

The Organization recognized \$170,434 and \$185,323 of contributed inventory and services during 2020 and 2019, respectively, as detailed below:

Item	Value	
	2020	2019
Ingredients and Consumable Supplies	\$ 41,727	\$ 48,399
Butter Ingredients	53,747	56,814
Step-up Wages	19,202	55,165
Intern Wages	42,798	-
Computer Services	12,960	7,956
Legal Services	-	9,810
Other	-	7,179
<b>Total</b>	<b>\$ 170,434</b>	<b>\$ 185,323</b>

**Note 10: Net Assets without Donor Restrictions**

Net assets without donor restrictions at December 31, 2020 and 2019 are as follows:

	2020	2019
Undesignated	\$ 3,618,587	\$ 2,764,907
Board-designated for Future Operations and Debt Payments	750,000	750,000
<b>Total Net Assets Without Donor Restrictions</b>	<b>\$ 4,368,587</b>	<b>\$ 3,514,907</b>

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 11: Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2020 and 2019 are as follows:

	2020	2019
Capacity Campaign	\$ 248,833	\$ 712,000
Endowment Fund	100,000	100,000
Time Restricted	69,409	-
General Program Development	-	122,014
Investment Campaign	-	35,350
	\$ 418,242	\$ 969,364

**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, 2020 and 2019:

	Amount
Balance December 31, 2018	\$ 100,000
Contributions	-
Balance December 31, 2019	100,000
Contributions	-
Balance December 31, 2020	\$ 100,000

The Cookie Cart  
Notes to the Financial Statements  
December 31, 2020 and 2019

**Note 13: 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. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code.

**Note 14: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

**Note 15: Paycheck Protection Program**

The Organization entered into a promissory note agreement with Bremer Bank in April 2020 in the amount of \$303,700 Pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief and Economic Security Act (CARES) Act and governed by the Small Business Administration (SBA). Up to 100% of the note is forgivable when used to pay specified payroll and other costs within 24 weeks of receiving the funding. The Organization believes the full amount of the loan will be forgiven as it was used in accordance with the terms. As such, the loan amount was recorded as a government grant during the year to match the revenue with the expenses that were incurred.

**Note 16: 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, 2020 and 2019 reduced by amounts not available for general use within one year:

	2020	2019
Financial Assets, at December 31		
Cash and cash equivalents	\$ 1,522,392	\$ 675,949
Accounts receivable, net	165,280	112,667
Promises to give, net	323,242	792,658
Total financial assets	2,010,914	1,581,274
Less those unavailable for general expenditure within one year, due to:		
Contractual or board-designated:		
Board-designated funds for future operations and debt payments	(750,000)	(750,000)
Donor-restricted:		
Time restricted promises to give	(50,000)	(110,000)
Restricted for program development	-	(122,014)
Restricted for investment campaign	-	(35,350)
Restricted for capacity campaign	(318,242)	(712,000)
Restricted for endowment	(100,000)	(100,000)
Total assets unavailable for general expenditure within one year	(1,218,242)	(1,829,364)
Financial assets available to meet cash needs for general expenditures within one year	\$ 792,672	\$ (248,090)

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.