



# Financial Statements

## The Cookie Cart

Minneapolis, Minnesota

For the year ended June 30, 2022 and six months ended June 30, 2021



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The Cookie Cart  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Cookie Cart  
Minneapolis, Minnesota

### Opinion

We have audited the accompanying financial statements of The Cookie Cart (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021 for the year and period then ended, and the related statements of activities, functional expenses and cash flows for the year and period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cookie Cart as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year and period then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cookie Cart and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cookie Cart's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**Abdo**  
Minneapolis, Minnesota  
December 16, 2022



FINANCIAL STATEMENTS

The Cookie Cart  
Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,234,112	\$ 1,227,977
Accounts receivable, net of allowance of \$5,000 and \$4,000 in 2022 and 2021, respectively	47,476	18,888
Pledges receivable, net of allowance of \$4,000 and \$5,000 in 2022 and 2021, respectively	336,861	355,766
Inventory	122,867	94,892
Prepaid expenses	15,055	27,186
Total Current Assets	1,756,371	1,724,709
<b>Property, Equipment, and Intangibles</b>		
Land	88,750	88,750
Building and improvements	4,582,363	4,582,363
Bakery equipment	213,067	211,067
Furniture and fixtures	86,928	86,928
Vehicles	18,295	18,295
Online learning platform	39,300	39,300
Property, Equipment, and Intangibles, Cost	5,028,703	5,026,703
Less Accumulated Depreciation and Amortization	(1,135,895)	(981,990)
Property, Equipment and Intangibles, Net	3,892,808	4,044,713
<b>Noncurrent Assets</b>		
Beneficial interest in endowment assets held by others	100,000	100,000
Pledges receivable, long-term	-	30,000
Total Noncurrent Assets	100,000	130,000
Total Assets	\$ 5,749,179	\$ 5,899,422

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

**The Cookie Cart**  
**Statements of Financial Position (Continued)**  
**June 30, 2022 and 2021**

	2022	2021
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 23,878	\$ 77,518
Note payable, current portion	81,792	78,750
Accrued payroll and compensated absences	87,746	79,687
<b>Total Current Liabilities</b>	<b>193,416</b>	<b>235,955</b>
<b>Long-term Liabilities</b>		
Note payable, net of deferred refinance costs of \$9,968 and \$11,215 in 2022 and 2021, respectively	1,127,153	1,207,731
<b>Total Liabilities</b>	<b>1,320,569</b>	<b>1,443,686</b>
<b>Net Assets</b>		
<b>Net assets without donor restrictions</b>		
Undesignated	3,237,749	3,204,970
Board designated	750,000	750,000
<b>Total net assets without donor restrictions</b>	<b>3,987,749</b>	<b>3,954,970</b>
<b>Net assets with donor restrictions</b>		
Capacity campaign	340,861	400,766
Endowment	100,000	100,000
<b>Total net assets with donor restrictions</b>	<b>440,861</b>	<b>500,766</b>
<b>Total Net Assets</b>	<b>4,428,610</b>	<b>4,455,736</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,749,179</b>	<b>\$ 5,899,422</b>

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

The Cookie Cart  
Statements of Activities  
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Support			
Grants and contributions	\$ 1,259,067	\$ 388,361	\$ 1,647,428
Donated materials and services	74,205	-	74,205
Special events, net of direct expenses of \$36,525	253,936	-	253,936
Total Support	<u>1,587,208</u>	<u>388,361</u>	<u>1,975,569</u>
Revenue			
Sales of cookies	556,767	-	556,767
Delivery revenue	85,150	-	85,150
Interest	3,300	-	3,300
Consulting and other	28,295	-	28,295
Total Revenue	<u>673,512</u>	<u>-</u>	<u>673,512</u>
Reclassifications			
Net assets released from restrictions			
Restriction satisfied by time	448,266	(448,266)	-
Total Support and Revenue	<u>2,708,986</u>	<u>(59,905)</u>	<u>2,649,081</u>
Expenses			
Program services	1,864,230	-	1,864,230
Support services			
Fundraising - General	288,450	-	288,450
Fundraising - Capacity Campaign	118,201	-	118,201
Administration	405,326	-	405,326
Total Expenses	<u>2,676,207</u>	<u>-</u>	<u>2,676,207</u>
Change in Net Assets	32,779	(59,905)	(27,126)
Net Assets, July 1	<u>3,954,970</u>	<u>500,766</u>	<u>4,455,736</u>
Net Assets, June 30	<u>\$ 3,987,749</u>	<u>\$ 440,861</u>	<u>\$ 4,428,610</u>

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

**The Cookie Cart**  
**Statements of Activities (Continued)**  
**For the Six Month Period Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Grants and contributions	\$ 396,633	\$ 307,533	\$ 704,166
Donated materials and services	69,242	-	69,242
Debt forgiveness	14,282	-	14,282
Special events, net of direct expenses of \$0	29,500	-	29,500
Total Support	509,657	307,533	817,190
Revenue			
Sales of cookies	195,485	-	195,485
Delivery revenue	31,570	-	31,570
Interest	856	-	856
Consulting and other	12,500	-	12,500
Total Revenue	240,411	-	240,411
Reclassifications			
Net assets released from restrictions			
Restriction satisfied by time	225,009	(225,009)	-
Total Support and Revenue	975,077	82,524	1,057,601
Expenses			
Program services	1,014,728	-	1,014,728
Support services			
Fundraising - General	127,658	-	127,658
Fundraising - Capacity Campaign	63,660	-	63,660
Administration	182,648	-	182,648
Total Expenses	1,388,694	-	1,388,694
Change in Net Assets	(413,617)	82,524	(331,093)
Net Assets, January 1	4,368,587	418,242	4,786,829
Net Assets, June 30	\$ 3,954,970	\$ 500,766	\$ 4,455,736

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

The Cookie Cart  
Statements of Functional Expenses  
For the Year Ended June 30, 2022

Expenses	Program Services					Support Services					Total Expenses
	Youth Development	Cookie Production	Sales and Marketing	Volunteer	Total Program Services	Fundraising		Administration	Total Support Services		
						General	Capital Campaign				
Personnel costs											
Adult wages	\$ 194,714	\$ 234,107	\$ 178,497	\$ 52,867	\$ 660,185	\$ 55,616	\$ 84,777	\$ 153,229	\$ 293,622	\$ 953,807	
Youth wages	187,540	249,459	-	-	436,999	-	-	-	-	436,999	
Benefits and taxes	55,106	97,581	28,724	10,170	191,581	9,264	14,118	27,742	51,124	242,705	
Cookie production costs											
Ingredients and supplies	-	134,766	-	-	134,766	-	-	-	-	134,766	
Wages	-	43,837	-	-	43,837	-	-	-	-	43,837	
Cookie sales and delivery costs	-	75,404	225	-	75,629	-	-	-	-	75,629	
Printing and office supplies	1,618	6,301	922	297	9,138	2,524	421	4,441	7,386	16,524	
Insurance	6,454	9,991	3,623	1,193	21,261	1,085	1,652	3,572	6,309	27,570	
Dues and subscriptions	945	1,224	590	71	2,830	436	100	1,922	2,458	5,288	
Utilities	6,712	22,069	3,648	1,246	33,675	1,136	1,732	3,230	6,098	39,773	
Advertising	-	-	8,779	-	8,779	392	-	2,487	2,879	11,658	
Professional services	13,521	14,607	12,421	1,750	42,299	198,413	2,437	93,924	294,774	337,073	
Events and relationship development	-	-	-	-	-	4,207	-	-	4,207	4,207	
Program evaluation	300	-	-	-	300	-	-	-	-	300	
Miscellaneous	1,700	5,468	4,627	495	12,290	3,100	414	19,943	23,457	35,747	
Youth program expenses	11,620	828	383	88	12,919	1,254	123	320	1,697	14,616	
Interest	-	-	-	-	-	-	-	53,962	53,962	53,962	
Repairs and maintenance	7,264	20,901	7,666	1,345	37,176	1,233	1,877	4,138	7,248	44,424	
Facility costs	7,346	13,034	4,027	1,141	25,548	3,912	1,598	9,365	14,875	40,423	
Transportation	410	865	-	68	1,343	63	95	246	404	1,747	
Depreciation and amortization	34,421	54,272	18,746	6,236	113,675	5,815	8,857	26,805	41,477	155,152	
<b>Total Expenses</b>	<b>\$ 529,671</b>	<b>\$ 984,714</b>	<b>\$ 272,878</b>	<b>\$ 76,967</b>	<b>\$ 1,864,230</b>	<b>\$ 288,450</b>	<b>\$ 118,201</b>	<b>\$ 405,326</b>	<b>\$ 811,977</b>	<b>\$ 2,676,207</b>	

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

**The Cookie Cart**  
**Statements of Functional Expenses**  
**For the Six Month Period Ended June 30, 2021**

Expenses	Program Services					Support Services				Total Expenses
	Youth Development	Cookie Production	Sales and Marketing	Volunteer	Total Program Services	Fundraising		Administration	Total Support Services	
						General	Capital Campaign			
Personnel costs										
Adult wages	\$ 126,567	\$ 133,992	\$ 88,240	\$ 2,631	\$ 351,430	\$ 26,305	\$ 40,004	\$ 71,224	\$ 137,533	\$ 488,963
Youth wages	119,506	180,761	-	-	300,267	-	-	-	-	300,267
Benefits and taxes	30,144	42,655	9,751	371	82,921	9,463	6,351	9,723	25,537	108,458
Cookie production costs										
Ingredients and supplies	-	74,865	-	-	74,865	-	-	-	-	74,865
Wages	-	15,927	-	-	15,927	-	-	-	-	15,927
Cookie sales and delivery costs	-	25,328	20,185	-	45,513	-	-	-	-	45,513
Printing and office supplies	789	1,851	102	2	2,744	830	27	5,694	6,551	9,295
Insurance	2,949	3,997	1,685	46	8,677	603	997	392	1,992	10,669
Dues and subscriptions	69	117	23	1	210	22	14	1,411	1,447	1,657
Utilities	1,892	5,342	764	25	8,023	718	448	370	1,536	9,559
Advertising	-	-	2,536	-	2,536	-	-	-	-	2,536
Professional services	5,760	8,187	5,017	89	19,053	80,777	10,297	40,983	132,057	151,110
Miscellaneous	817	1,488	1,228	2	3,535	231	93	12,650	12,974	16,509
Youth program expenses	4,301	599	-	-	4,900	-	-	-	-	4,900
Interest	-	-	-	-	-	-	-	27,906	27,906	27,906
Repairs and maintenance	1,310	10,619	740	13	12,682	418	260	678	1,356	14,038
Facility costs	3,736	10,502	7,358	44	21,640	1,287	803	5,144	7,234	28,874
Transportation	-	131	-	-	131	-	-	-	-	131
Depreciation and amortization	23,972	28,053	7,418	231	59,674	7,004	4,366	6,473	17,843	77,517
<b>Total Expenses</b>	<b>\$ 321,812</b>	<b>\$ 544,414</b>	<b>\$ 145,047</b>	<b>\$ 3,455</b>	<b>\$ 1,014,728</b>	<b>\$ 127,658</b>	<b>\$ 63,660</b>	<b>\$ 182,648</b>	<b>\$ 373,966</b>	<b>\$ 1,388,694</b>

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

**The Cookie Cart**  
**Statements of Cash Flows**  
For the Year Ended June 30, 2022 and Six Month Period Ended June 30, 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (27,126)	\$ (331,093)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	155,152	77,517
Debt forgiveness	-	(14,282)
(Increase) decrease in assets		
Accounts receivable	(28,588)	146,392
Promises to give	48,905	(62,524)
Inventory	(27,975)	(21,571)
Prepaid expenses	12,131	(9,610)
Increase (decrease) in liabilities		
Accounts payable	(53,640)	23,912
Accrued payroll and compensated absences	8,059	(68,434)
Net Cash Provided (Used) by Operating Activities	86,918	(259,693)
 Cash Flows from Investing Activities		
Purchase of property and equipment	(2,000)	-
 Cash Flows from Financing Activities		
Principal paid on notes payable	(78,783)	(34,722)
 Change in Cash and Cash Equivalents	6,135	(294,415)
 Cash and Cash Equivalents, Beginning	1,227,977	1,522,392
 Cash and Cash Equivalents, Ending	\$ 1,234,112	\$ 1,227,977
 Supplemental Disclosure of Non-Cash Flow Information		
Donated Materials and Services	\$ 74,205	\$ 69,242
Interest Paid	\$ 53,962	\$ 27,906

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

The Cookie Cart  
Notes to the Financial Statements  
June 30, 2022 and 2021

**Note 1: Summary of Significant Accounting Policies**

**A. Organization**

The Cookie Cart (the Organization) is a nonprofit community corporation that provides leadership and employment skills for youth in North Minneapolis and East St. Paul, Minnesota. Cookie Cart's mission is to teach life, leadership, and employment skills to teens of color through on-the-job and classroom experiences in nonprofit bakeries. Combining hands-on work experience, classroom work readiness training, formal customer service education, skills certification and financial literacy classes, Cookie Cart helps youth 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. Cookie Cart's programming typically serves 200-300 young people annually, a majority of which qualify for free or reduced lunch and over 95 percent are from communities of color.

Cookie Cart's strategic plan for 2021 and 2022 had 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  
June 30, 2022 and 2021

**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. As of June 30, 2022 and 2021 there were 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 \$5,000 and \$4,000 was recorded as of June 30, 2022 and 2021 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 \$4,000 and \$5,000 as of June 30, 2022 and 2021 respectively.

**H. Property, Equipment and Intangibles**

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:

Assets	Useful Lives in Years
Building and Improvements	20 - 39.5
Bakery Equipment	10
Furniture and Fixtures	5 - 20
Vehicles	5
Online Learning Platform	5

Depreciation expense was \$146,045 and \$72,963 and amortization expense was \$9,106 and \$4,553 at June 30, 2022 and 2021, 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  
June 30, 2022 and 2021

**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. New Accounting Pronouncements**

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 were applied on a retrospective basis and went into effect for the Organization for the year ended June 30, 2022.

**L. 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, 2021, 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 for the year ended June 30, 2023. 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.

**M. 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.

The Cookie Cart conducted a time study in late 2019, tracking closely the direct labor involved in the production of 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 updated allocation methodology better reflects the direct cost of cookie production and the understanding the true margin in cookie sales.

**N. Advertising**

The Organization expenses the costs of advertising as incurred. Advertising expenses were \$11,657 and \$2,536 for the year and period ended June 30, 2022 and 2021, respectively.

The Cookie Cart  
Notes to the Financial Statements  
June 30, 2022 and 2021

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

**O. Shipping and Handling Costs**

Shipping and handling costs are included in product costs.

**P. 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.

**Q. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 16, 2022, the date the financial statements were available to be issued.

**Note 2: Pledges Receivable**

The balance of pledges receivable are as follows:

	2022	2021
Less Than One Year	\$ 340,861	\$ 355,766
One to Five Years	-	35,000
Total Pledges Receivable	340,861	390,766
Less Allowance for Uncollectible Pledges	(4,000)	(5,000)
Net Pledges Receivable	\$ 336,861	\$ 385,766

**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.

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

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 June 30, 2022 and 2021.

*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.

	2022		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 100,000
	2021		
	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 June 30, 2022 and 2021 was \$122,867 and \$94,892, 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 \$14,552 and \$8,074 as of June 30, 2022 and 2021, 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 June 30, 2022 and 2021 was \$100,000.

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**Note 7: Long-term Debt**

As of June 30, 2022 and 2021, long-term debt was as follows:

	2022	2021
Note payable to Bremer Bank, 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.	\$ 1,127,151	\$ 1,189,120
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.	63,195	72,868
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.	28,567	35,708
Total Long-term Debt	1,218,913	1,297,696
Less Refinance Costs, net	(9,968)	(11,215)
Less Amounts Due Within One Year	(81,792)	(78,750)
Long-term Portion	\$ 1,127,153	\$ 1,207,731

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

Year	Amount	Refinance Costs	Net Amount
2023	\$ 81,792	\$ (1,246)	\$ 80,546
2024	84,968	(1,246)	83,722
2025	88,285	(1,246)	87,039
2026	91,753	(1,246)	90,507
2027	88,226	(1,246)	86,980
Thereafter	783,889	(3,738)	780,151
Total	\$ 1,218,913	\$ (9,968)	\$ 1,208,945

**Note 8: Line of Credit**

The Organization has access to a \$100,000 line of credit at Bremer Bank. As of June 30, 2022 and 2021, there was no balance on this line of credit. Through extensions, the agreement is set to expire on November 10, 2023.

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**Note 9: In-kind Donations**

The Organization recognized contributed inventory and services during 2022 and 2021, as detailed below:

Item	2022	2021
Ingredients and Consumable Supplies	\$ 14,481	\$ 7,758
Butter Ingredients	30,554	52,329
Intern Wages	29,170	9,155
Total	\$ 74,205	\$ 69,242

Fair value techniques –Supplies and food are valued using estimated wholesale prices of identical or similar products if purchased in the region. Services are valued based on current rates of similar services if purchased in the region.

Donor restrictions and use – In-kind contributions are not restricted. The Organization uses the supplies and food in the Cookie Production program and uses the services in the Youth Development program.

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

Net assets without donor restrictions at June 30, 2022 and 2021 are as follows:

	2022	2021
Undesignated	\$ 3,237,749	\$ 3,204,970
Board-designated for Future Operations and Debt Payments	750,000	750,000
Total Net Assets Without Donor Restrictions	\$ 3,987,749	\$ 3,954,970

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

Net assets with donor restrictions at June 30, 2022 and 2021 are as follows:

	2022	2021
Capacity Campaign	\$ 340,861	\$ 400,766
Endowment Fund	100,000	100,000
Total	\$ 440,861	\$ 500,766

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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 June 30, 2022 and 2021 are as follows:

	Amount
Balance December 31, 2020	\$ 100,000
Contributions	-
Balance June 30, 2021	100,000
Contributions	-
Balance June 30, 2022	\$ 100,000

**Note 13: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 and 2021 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.

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**Note 14: Liquidity and Availability of Financial Assets**

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 June 30, 2022 and 2021 reduced by amounts not available for general use within one year:

	2022	2021
Financial Assets, at June 30		
Cash and cash equivalents	\$ 1,234,112	\$ 1,227,977
Accounts receivable, net	47,476	18,888
Promises to give, net	336,861	385,766
Total financial assets	1,618,449	1,632,631
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	-	(30,000)
Restricted for capacity campaign	(340,861)	(370,766)
Restricted for endowment	(100,000)	(100,000)
Total assets unavailable for general expenditure within one year	(1,190,861)	(1,250,766)
Financial assets available to meet cash needs for general expenditures within one year	\$ 427,588	\$ 381,865

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.