

JOSEPH'S COAT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**JOSEPH'S COAT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITORS' REPORT

Board of Directors
Joseph's Coat
St. Paul, Minnesota

We have audited the accompanying financial statements of Joseph's Coat, which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

Board of Directors
Joseph's Coat

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joseph's Coat as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 19, 2017

**JOSEPH'S COAT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
ASSETS		
Cash	\$ 128,754	\$ 60,788
Certificates of Deposit	185,000	235,000
Contributions Receivable	825,000	-
Accrued Interest	326	-
Property and Equipment, Net of Accumulated Depreciation	20,410	-
Total Assets	\$ 1,159,490	\$ 295,788
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,691	\$ -
NET ASSETS		
Unrestricted	331,799	295,788
Temporarily Restricted	825,000	-
Total Net Assets	1,156,799	295,788
Total Liabilities and Net Assets	\$ 1,159,490	\$ 295,788

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants	\$ 26,857	\$ -	\$ 26,857
Contributions	227,315	825,000	1,052,315
In-Kind Contributions	1,273,108	-	1,273,108
Consignment	29,095	-	29,095
Investment Income	361	-	361
Total Revenue	<u>1,556,736</u>	<u>825,000</u>	<u>2,381,736</u>
EXPENSES			
Program Expenses	1,462,762	-	1,462,762
Management and General	52,018	-	52,018
Fundraising	5,945	-	5,945
Total Expenses	<u>1,520,725</u>	<u>-</u>	<u>1,520,725</u>
CHANGE IN UNRESTRICTED NET ASSETS	36,011	825,000	861,011
Net Assets - Beginning of Year	<u>295,788</u>	<u>-</u>	<u>295,788</u>
NET ASSETS - END OF YEAR	<u>\$ 331,799</u>	<u>\$ 825,000</u>	<u>\$ 1,156,799</u>

See accompanying Notes to Financial Statements.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 18,240	\$ -	\$ 18,240
188,232	-	188,232
1,167,907	-	1,167,907
28,463	-	28,463
247	-	247
<u>1,403,089</u>	<u>-</u>	<u>1,403,089</u>
1,393,771	-	1,393,771
46,814	-	46,814
7,622	-	7,622
<u>1,448,207</u>	<u>-</u>	<u>1,448,207</u>
(45,118)	-	(45,118)
<u>340,906</u>	<u>-</u>	<u>340,906</u>
<u>\$ 295,788</u>	<u>\$ -</u>	<u>\$ 295,788</u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			Total
	Program	Administrative	Fundraising	
Salaries	\$ 92,108	\$ 10,836	\$ 5,418	\$ 108,362
Payroll taxes	8,968	1,055	527	10,550
Total Personnel Expenses	<u>101,076</u>	<u>11,891</u>	<u>5,945</u>	<u>118,912</u>
Contributed Merchandise and Clothing	1,273,108	-	-	1,273,108
Insurance	5,780	1,445	-	7,225
Legal and Accounting	-	18,418	-	18,418
Miscellaneous	4,515	1,128	-	5,643
Occupancy	42,707	10,675	-	53,382
Security	9,705	2,425	-	12,130
Office	6,101	1,525	-	7,626
Printing and Postage	7,295	1,823	-	9,118
Program Supplies	1,656	-	-	1,656
Repairs and Maintenance	4,276	1,053	-	5,329
Telephone	1,223	306	-	1,529
Travel	704	176	-	880
Utilities	4,479	1,119	-	5,598
Depreciation	137	34	-	171
Total Expenses	<u>\$ 1,462,762</u>	<u>\$ 52,018</u>	<u>\$ 5,945</u>	<u>\$ 1,520,725</u>

See accompanying Notes to Financial Statements.

2015

<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
\$ 117,939	\$ 13,875	\$ 6,937	\$ 138,751
11,647	1,371	685	13,703
<u>129,586</u>	<u>15,246</u>	<u>7,622</u>	<u>152,454</u>
1,167,907	-	-	1,167,907
3,941	986	-	4,927
-	7,934	-	7,934
9,583	2,393	-	11,976
44,374	11,093	-	55,467
9,871	2,467	-	12,338
2,372	593	-	2,965
10,679	2,669	-	13,348
1,623	-	-	1,623
6,790	1,672	-	8,462
1,147	287	-	1,434
403	101	-	504
5,495	1,373	-	6,868
-	-	-	-
<u>\$ 1,393,771</u>	<u>\$ 46,814</u>	<u>\$ 7,622</u>	<u>\$ 1,448,207</u>

**JOSEPH'S COAT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 861,011	\$ (45,118)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	171	-
(Increase) Decrease in Current Assets:		
Contributions Receivable	(825,000)	-
Accrued Interest	(326)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	2,691	-
Net Cash Provided (Used) by Operating Activities	38,547	(45,118)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds from Sale of Certificates of Deposit	50,000	1,401
Purchase of Property and Equipment	(20,581)	-
Net Cash Provided by Investing Activities	29,419	1,401
NET INCREASE (DECREASE) IN CASH	67,966	(43,717)
Cash - Beginning of Year	60,788	104,505
CASH - END OF YEAR	\$ 128,754	\$ 60,788

See accompanying Notes to Financial Statements.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Joseph's Coat (the Organization) is a nonprofit, inner-city, free store providing clothing and household items for the poor and homeless. As a store-front community, they recognize the common need for the physical necessities of life as well as a sense of self worth and meaning. They offer encouragement and support for persons in the midst of conflict confronted by crisis or moving through transition. They believe that their small size and simplicity fosters a sense of person-to-person sharing among those who receive and who give through donation or service. Joseph's Coat is a sign of hope, trust and love to the people within their community.

Joseph's Coat mission statement is "a free store providing goods and services to those in need within an environment of dignity and respect." The Organization's vision statement further expresses the mission:

Joseph's Coat is valued for its compassionate accessible and effective service to the poor. As an inner city free store, Joseph's Coat serves multiple constituents within the community. It provides physical necessities and encouragement to those in need. It partners with donors so they can contribute the time, money, service and goods directly to those who need them. It networks with other agencies to provide services to the poor. Joseph's Coat serves as a sign of hope, trust and caring to the people within our community.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues, which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The Organization had unrestricted net assets during 2016 and 2015. The Organization had temporarily restricted net assets during 2016.

**JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Certificates of Deposit

Cash consists of a bank checking account. Certificates of deposit are stated at cost and have terms of 6 to 12 months. At times balances in cash and certificates of deposit may exceed the limits of Federal Deposit Insurance Corporation (FDIC) insurance. Investment income for the years ended December 31, 2016 and 2015 consisted of interest and dividends on certificates of deposit.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. As of December 31, 2016, all contributions receivable are expected to be collected within one year. Management reviews the status of the receivable balances for collectability. As of December 31, 2016, an allowance was not warranted.

Property and Equipment

Property and equipment consists of leasehold improvements that are stated at cost. Depreciation is provided on a straight-line basis over the shorter of the term of the lease or useful life.

Revenue Recognition

Contributions are recognized in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Services

No amounts for contributed services have been reflected in the accompanying financial statements since the services do not meet accounting standards criteria for recognition. The criteria require that donated services create or enhance financial assets, require specialized skills which would be purchased if not donated and have an objective basis for measurement. However, many volunteers from the community have contributed time and services to the Organization throughout the year.

In-Kind Contributions

The Organization reports gifts of clothing, household and personal items as unrestricted support unless explicit donor stipulations specify how the donated-assets must be used. In-kind contributions are recorded at the estimated fair value on the date of donation. For the years ended December 31, 2016 and 2015, in-kind contributions were \$53 and \$46 per bag, respectively. Consignment contributions are items that are sold to support the operations of the Organization and are valued at the amount the items are sold for.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions (Continued)

The Organization estimates the fair value of in-kind contributions by sampling distributed bags of items throughout the year. The Organization assigned value to the items in the bags based on the Internal Revenue Service guidelines of each item based on quality and description. The average value calculated from the sample was used to determine in-kind valuation amount.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates used.

Functional Allocation of Expense

The cost of providing various program and other activities have been summarized on a natural basis in the statements of activities. Salaries and related expenses are allocated based on the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated on the best estimates of management.

Income Tax

The Organization has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute 290.05 and has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. The Organization is not aware of any unrelated business income, which would be subject to tax.

The Organization follows guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization is not aware of any uncertain tax positions. The Organization's tax returns are subject to review and examination by federal and state authorities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 19, 2017, the date the financial statements were approved to be issued.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 OPERATING LEASE

The Organization leased building space under an operating lease which expires on September 30, 2019. The Organization is required to pay a monthly base rent. The lease also includes a provision that the Organization pay its pro-rata share of real estate taxes over a base amount and a common area maintenance fee. Rental expense for the years ended December 31, 2016 and 2015 was \$53,382 and \$55,467, respectively.

Future minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 38,700
2018	39,900
2019	30,600
Total	<u>\$ 109,200</u>

NOTE 3 RELATED PARTY TRANSACTIONS

The members of Joseph's Coat's board of directors generously support Joseph's Coat. The approximate amount of board support included in contributions for the years ended December 31, 2016 and 2015 were approximately \$6,400 and \$12,575, respectively.

NOTE 4 CONCENTRATION OF REVENUE

As of December 31, 2016, 100% of contributions receivable were from one donor. Total revenue for the year ended December 31, 2016 consists of approximately 35% from one donor. There were no concentrations of contributions receivable or revenue as of or for the year ended December 31, 2015.