

**JOSEPH'S COAT**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**JOSEPH'S COAT  
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## 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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 Organization'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 Organization'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, 2019 and 2018, 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 21, 2020

**JOSEPH'S COAT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash	\$ 36,469	\$ 138,939
Certificates of Deposit	167,380	166,458
Investments (Cost of \$1,010,308 in 2019 and \$968,848 in 2018)	1,080,961	915,470
Grants Receivable	5,000	-
Other Assets	9,898	4,891
Property and Equipment, Net of Accumulated Depreciation	2,384	13,276
Total Assets	\$ 1,302,092	\$ 1,239,034
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 8,713	\$ 11,565
<b>NET ASSETS</b>		
Without Donor Restrictions	1,288,379	1,227,469
With Donor Restrictions	5,000	-
Total Net Assets	1,293,379	1,227,469
Total Liabilities and Net Assets	\$ 1,302,092	\$ 1,239,034

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Grants	\$ 45,238	\$ 5,000	\$ 50,238
Contributions	200,751	-	200,751
In-Kind Contributions	1,468,122	-	1,468,122
Consignment	24,987	-	24,987
Investment Income (Loss), Net of Investment Expenses of \$6,858 in 2019 and \$5,888 in 2018	146,405	-	146,405
Net Assets Released from Restrictions	-	-	-
Total Revenue	<u>1,885,503</u>	<u>5,000</u>	<u>1,890,503</u>
<b>EXPENSES</b>			
Program Expenses	1,750,758	-	1,750,758
Management and General	65,852	-	65,852
Fundraising	7,983	-	7,983
Total Expenses	<u>1,824,593</u>	<u>-</u>	<u>1,824,593</u>
<b>CHANGE IN NET ASSETS</b>	60,910	5,000	65,910
Net Assets - Beginning of Year	<u>1,227,469</u>	<u>-</u>	<u>1,227,469</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,288,379</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,293,379</u></u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 46,940	\$ -	\$ 46,940
412,041	-	412,041
1,021,657	-	1,021,657
21,299	-	21,299
(44,239)	-	(44,239)
-	-	-
1,457,698	-	1,457,698
1,278,043	-	1,278,043
59,858	-	59,858
7,930	-	7,930
1,345,831	-	1,345,831
111,867	-	111,867
1,115,602	-	1,115,602
\$ 1,227,469	\$ -	\$ 1,227,469

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			
	Program	Administrative	Fundraising	Total
Salaries	\$ 125,730	\$ 14,790	\$ 7,396	\$ 147,916
Payroll Taxes	9,976	1,174	587	11,737
Total Personnel Expenses	<u>135,706</u>	<u>15,964</u>	<u>7,983</u>	<u>159,653</u>
Insurance	5,650	1,413	-	7,063
Legal and Accounting	-	15,107	-	15,107
Miscellaneous	10,375	2,593	-	12,968
Occupancy	46,205	11,550	-	57,755
Security	20,893	5,221	-	26,114
Office	20,694	5,174	-	25,868
Printing and Postage	7,704	1,926	-	9,630
Program Supplies	7,703	-	-	7,703
Repairs and Maintenance	5,970	1,470	-	7,440
Telephone	614	154	-	768
Travel	4,680	1,170	-	5,850
Contributed Merchandise and Clothing	1,468,122	-	-	1,468,122
Utilities	7,728	1,932	-	9,660
Depreciation	8,714	2,178	-	10,892
Total Expenses	<u>\$ 1,750,758</u>	<u>\$ 65,852</u>	<u>\$ 7,983</u>	<u>\$ 1,824,593</u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT**  
**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

2018			
Program	Administrative	Fundraising	Total
\$ 125,597	\$ 14,776	\$ 7,388	\$ 147,761
9,212	1,084	542	10,838
134,809	15,860	7,930	158,599
2,717	680	-	3,397
-	14,816	-	14,816
12,052	3,012	-	15,064
29,227	7,307	-	36,534
13,235	3,307	-	16,542
15,542	3,886	-	19,428
10,964	2,740	-	13,704
4,666	-	-	4,666
10,994	2,707	-	13,701
684	171	-	855
4,413	1,103	-	5,516
1,021,657	-	-	1,021,657
6,994	1,748	-	8,742
10,089	2,521	-	12,610
\$ 1,278,043	\$ 59,858	\$ 7,930	\$ 1,345,831

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 65,910	\$ 111,867
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	10,892	12,610
Loss (Gain) on Investments	(124,031)	60,077
(Increase) Decrease in Current Assets:		
Grants Receivable	(5,000)	-
Other Assets	(5,007)	(4,724)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	(2,852)	4,150
Net Cash Provided (Used) by Operating Activities	(60,088)	183,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Certificates of Deposit	(922)	(910)
Purchase of Property and Equipment	-	(2,975)
Purchase of Investments	(41,460)	(159,010)
Net Cash Used by Investing Activities	(42,382)	(162,895)
<b>NET INCREASE (DECREASE) IN CASH</b>	(102,470)	21,085
Cash - Beginning of Year	138,939	117,854
<b>CASH - END OF YEAR</b>	\$ 36,469	\$ 138,939

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, which will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

At December 31, 2019 and 2018, the Organization had only net assets without donor restrictions.

**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.

**JOSEPH'S COAT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses are recognized in the period in which they occur and are recorded in the statements of activities. Due to market volatility with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statements of activities.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has elected to measure all investments at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

**Property and Equipment**

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

**Revenue Recognition**

Revenue is recognized on the accrual basis and generally consists of grants, contributions, in-kind contributions and consignment revenue. The consignment revenue is considered to be exchange revenue and is recognized as revenue when the performance obligations are met which is the sale of the goods. 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. Contributions restricted by donors that have satisfied the donor-imposed restrictions during the year of the contribution are recorded as contributions without donor restrictions.

**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 support without donor restrictions 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, 2019 and 2018, in-kind contributions were \$71 and \$55 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, 2019 AND 2018**

**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.

**Fair Value Measurements**

The Organization follows accounting standards that define fair value, establish a framework for measuring fair value in accordance with existing accounting principles generally accepted in the United States of America, and expand disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described below:

*Level 1* – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

*Level 2* – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

*Level 3* – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

**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. Contributed merchandise and clothing is allocated directly to program expenses.

**JOSEPH'S COAT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Adoption of Accounting Principle**

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption using the modified retrospective approach of the new standard. The Organization early adopted this standard.

The Organization also adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The Organization adopted the standard related to both contributions received and contributions made during 2019. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. The implementation of this standard had no impact on the change in net assets as previously reported.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 21, 2020, the date the financial statements were approved to be issued.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including the following:

- During the period from January 1, 2020 through July 21, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.
- The Organization was required to be closed for a portion of the year

**JOSEPH'S COAT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events (Continued)**

- The Organization applied for and received \$33,400 Paycheck Protection Program loan with 1% interest on April 30, 2020. The loan matures on April 30, 2022 and monthly payments begin on November 30, 2020. The loan shall be used for payroll costs and facility costs and may be forgiven if certain criteria are met.

Management believes that Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019 as these events occurred subsequent to year-end and are still developing.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments. As part of the Organization's liquidity management, annual operating budgets are built so that revenue breaks even with expenses.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	2019	2018
Cash	\$ 36,469	\$ 138,939
Certificates of Deposit	167,380	166,458
Total	<u>\$ 203,849</u>	<u>\$ 305,397</u>

The Organization also has an investment balance of \$1,080,961 and \$915,470 as of December 31, 2019 and 2018, respectively. These investments are without donor restrictions.

**NOTE 3 INVESTMENTS**

Investments consist of the following at December 31:

	2019	2018
Cash and Short-Term Investments	\$ 23,095	\$ 27,016
Equity Mutual Funds	388,642	316,428
Fixed Income Mutual Funds	231,680	233,525
Equity Exchange Traded Funds	293,395	231,733
Fixed Income Exchange Traded Funds	144,149	106,768
Total	<u>\$ 1,080,961</u>	<u>\$ 915,470</u>

**JOSEPH'S COAT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 FAIR VALUE MEASUREMENTS**

The following table summarizes the valuation of the Organization's investments by the fair value hierarchy levels described in Note 1 as of December 31:

	2019			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds	\$ 388,642	\$ -	\$ -	\$ 388,642
Fixed Income Mutual Funds	231,680	-	-	231,680
Equity Exchange Traded Funds	293,395	-	-	293,395
Fixed Income Exchange Traded Funds	144,149	-	-	144,149
Subtotal	1,057,866	-	-	1,057,866
Investments Held at Cost	-	-	-	23,095
Total	\$ 1,057,866	\$ -	\$ -	\$ 1,080,961

  

	2018			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds	\$ 316,428	\$ -	\$ -	\$ 316,428
Fixed Income Mutual Funds	233,525	-	-	233,525
Equity Exchange Traded Funds	231,733	-	-	231,733
Fixed Income Exchange Traded Funds	106,768	-	-	106,768
Subtotal	888,454	-	-	888,454
Investments Held at Cost	-	-	-	27,016
Total	\$ 888,454	\$ -	\$ -	\$ 915,470

**NOTE 5 OPERATING LEASE**

The Organization leased building space under an operating lease which expires on December 13, 2029. 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, 2019 and 2018 was \$57,755 and \$52,837, respectively.

Future minimum lease payments as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	\$ 41,550
2021	42,150
2022	42,750
2023	43,350
2024	43,950
Thereafter	226,353
Total	\$ 440,103

**JOSEPH'S COAT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 6    CONCENTRATION OF REVENUE**

Grants, contributions, and consignment revenue for year ended December 31, 2018 consisted of approximately 22% from one donor. There were no concentrations for the year ended December 31, 2019.