

JOSEPH'S COAT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Joseph's Coat, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Joseph's Coat as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Joseph's Coat and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 Joseph's Coat's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 U.S. GAAS 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 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 U.S. GAAS, 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 Joseph's Coat'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 Joseph's Coat'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 9, 2022

**JOSEPH'S COAT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 71,235	\$ 95,161
Certificates of Deposit	138,130	168,740
Investments (Cost of \$1,033,407 in 2021 and \$1,000,196 in 2020)	1,221,100	1,150,847
Other Assets	5,325	5,244
Property and Equipment, Net of Accumulated Depreciation	<u>401</u>	<u>1,392</u>
Total Assets	<u><u>\$ 1,436,191</u></u>	<u><u>\$ 1,421,384</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 7,866	\$ 33,983
NET ASSETS		
Without Donor Restrictions	<u>1,428,325</u>	<u>1,387,401</u>
Total Liabilities and Net Assets	<u><u>\$ 1,436,191</u></u>	<u><u>\$ 1,421,384</u></u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants	\$ 34,060	\$ -	\$ 34,060
Contributions	217,094	-	217,094
In-Kind Contributions	546,860	-	546,860
Consignment	28,435	-	28,435
Investment Income, Net of Investment Expenses of \$7,866 in 2021 and \$6,825 in 2020	96,771	-	96,771
Paycheck Protection Program Loan Forgiveness	-	-	-
Employee Retention Credits	16,519	-	16,519
Net Assets Released from Restrictions	-	-	-
Total Revenue	<u>939,739</u>	<u>-</u>	<u>939,739</u>
EXPENSES			
Program Expenses	823,951	-	823,951
Management and General	65,407	-	65,407
Fundraising	9,457	-	9,457
Total Expenses	<u>898,815</u>	<u>-</u>	<u>898,815</u>
CHANGE IN NET ASSETS	40,924	-	40,924
Net Assets - Beginning of Year	<u>1,387,401</u>	<u>-</u>	<u>1,387,401</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,428,325</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,428,325</u></u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants	\$ 36,283	\$ -	\$ 36,283
Contributions	254,297	-	254,297
In-Kind Contributions	385,926	-	385,926
Consignment	21,534	-	21,534
Investment Income, Net of Investment Expenses of \$7,866 in 2021 and \$6,825 in 2020	95,826	-	95,826
Paycheck Protection Program Loan Forgiveness	33,400	-	33,400
Employee Retention Credits	-	-	-
Net Assets Released from Restrictions	5,000	(5,000)	-
Total Revenue	<u>832,266</u>	<u>(5,000)</u>	<u>827,266</u>
EXPENSES			
Program Expenses	665,732	-	665,732
Management and General	58,851	-	58,851
Fundraising	8,661	-	8,661
Total Expenses	<u>733,244</u>	<u>-</u>	<u>733,244</u>
CHANGE IN NET ASSETS	99,022	(5,000)	94,022
Net Assets - Beginning of Year	<u>1,288,379</u>	<u>5,000</u>	<u>1,293,379</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,387,401</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,387,401</u></u>

See accompanying Notes to Financial Statements.

JOSEPH'S COAT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program	Administrative	Fundraising	Total
Salaries	\$ 149,181	\$ 17,551	\$ 8,775	\$ 175,507
Payroll Taxes	11,590	1,364	682	13,636
Total Personnel Expenses	160,771	18,915	9,457	189,143
Insurance	6,437	1,610	-	8,047
Legal and Accounting	-	19,079	-	19,079
Miscellaneous	8,139	2,033	-	10,172
Occupancy	53,612	13,403	-	67,015
Security	2,363	591	-	2,954
Office	3,627	907	-	4,534
Printing and Postage	8,388	2,096	-	10,484
Program Supplies	6,620	-	-	6,620
Repairs and Maintenance	2,937	723	-	3,660
Telephone	2,194	550	-	2,744
Information Technology	8,634	2,159	-	10,793
Travel	3,361	840	-	4,201
Contributed Merchandise and Clothing	546,860	-	-	546,860
Utilities	9,215	2,303	-	11,518
Depreciation	793	198	-	991
Total Expenses	<u>\$ 823,951</u>	<u>\$ 65,407</u>	<u>\$ 9,457</u>	<u>\$ 898,815</u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program	Administrative	Fundraising	Total
Salaries	\$ 136,723	\$ 16,085	\$ 8,043	\$ 160,851
Payroll Taxes	10,505	1,236	618	12,359
Total Personnel Expenses	147,228	17,321	8,661	173,210
Insurance	6,800	1,700	-	8,500
Legal and Accounting	-	15,710	-	15,710
Miscellaneous	4,693	1,173	-	5,866
Occupancy	48,558	12,139	-	60,697
Security	15,724	3,929	-	19,653
Office	7,039	1,760	-	8,799
Printing and Postage	6,404	1,601	-	8,005
Program Supplies	29,240	-	-	29,240
Repairs and Maintenance	3,077	758	-	3,835
Telephone	695	174	-	869
Information Technology	-	-	-	-
Travel	2,598	649	-	3,247
Contributed Merchandise and Clothing	385,926	-	-	385,926
Utilities	6,956	1,739	-	8,695
Depreciation	794	198	-	992
Total Expenses	<u>\$ 665,732</u>	<u>\$ 58,851</u>	<u>\$ 8,661</u>	<u>\$ 733,244</u>

See accompanying Notes to Financial Statements.

JOSEPH'S COAT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 40,924	\$ 94,022
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	991	992
Unrealized Gain on Investments	(67,362)	(79,997)
(Increase) Decrease in Current Assets:		
Grants Receivable	-	5,000
Other Assets	(81)	4,654
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	(26,117)	25,270
Net Cash Provided (Used) by Operating Activities	<u>(51,645)</u>	<u>49,941</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificates of Deposit	-	(1,360)
Purchase of Investments	(28,102)	(39,889)
Proceeds from the Sale of Investments	25,211	50,000
Net Cash Provided by Investing Activities	<u>27,719</u>	<u>8,751</u>
NET (DECREASE) INCREASE IN CASH	(23,926)	58,692
Cash - Beginning of Year	<u>95,161</u>	<u>36,469</u>
CASH - END OF YEAR	<u><u>\$ 71,235</u></u>	<u><u>\$ 95,161</u></u>

See accompanying Notes to Financial Statements.

**JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, 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, 2021 AND 2020

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. There were no contract assets or liabilities as of December 31, 2021 and 2020. 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.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, in-kind contributions were \$93 and \$134 per shopper, 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.

The Organization estimates the fair value of in-kind contributions by sampling distributed bags of items based on each shopper throughout the year. The Organization assigned value to the items in the bags based on the Internal Revenue Service guidelines and valuation guide for Goodwill Donors 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.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Reclassifications

Certain amounts appearing in the 2020 financial statements have been reclassified to conform with the 2021 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2022, the date the financial statements were approved to be issued.

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.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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:

	2021	2020
Cash	\$ 71,235	\$ 95,161
Certificates of Deposit	138,130	168,740
Total	<u>\$ 209,365</u>	<u>\$ 263,901</u>

The Organization also has an investment balance of \$1,221,100 and \$1,150,847 as of December 31, 2021 and 2020, respectively. These investments are without donor restrictions.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	2021	2020
Cash and Short-Term Investments	\$ 37,119	\$ 46,034
Equity Mutual Funds	443,240	392,217
Fixed Income Mutual Funds	275,462	247,830
Equity Exchange Traded Funds	315,060	322,512
Fixed Income Exchange Traded Funds	150,219	142,254
Total	<u>\$ 1,221,100</u>	<u>\$ 1,150,847</u>

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:

	2021			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 443,240	\$ -	\$ -	\$ 443,240
Fixed Income Mutual Funds	275,462	-	-	275,462
Equity Exchange Traded Funds	315,060	-	-	315,060
Fixed Income Exchange Traded Funds	150,219	-	-	150,219
Subtotal	<u>1,183,981</u>	<u>-</u>	<u>-</u>	<u>1,183,981</u>
Investments Held at Cost	-	-	-	37,119
Total	<u>\$ 1,183,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221,100</u>

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

	2020			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 392,217	\$ -	\$ -	\$ 392,217
Fixed Income Mutual Funds	247,830	-	-	247,830
Equity Exchange Traded Funds	322,512	-	-	322,512
Fixed Income Exchange Traded Funds	142,254	-	-	142,254
Subtotal	1,104,813	-	-	1,104,813
Investments Held at Cost	-	-	-	46,034
Total	<u>\$ 1,104,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,847</u>

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, 2021 and 2020 was \$67,015 and \$60,697, respectively.

Future minimum lease payments as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 42,750
2023	43,350
2024	43,950
2025	44,550
2026	45,150
Thereafter	136,653
Total	<u>\$ 356,403</u>

NOTE 6 CONCENTRATION OF REVENUE

There were no concentrations for the year ended December 31, 2021. Grants, contributions, and consignment revenue for the year ended December 31, 2020 consisted of approximately 15% from one donor.

JOSEPH'S COAT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 COVID RELIEF FUNDS

In 2020, the Organization applied for and was approved for a \$33,400 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan was received on April 30, 2020. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization received forgiveness of \$33,400 on November 10, 2020.

The loan forgiveness has been recorded as COVID relief funds on the statement of activities. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2021, the Organization complied with the conditions of the Employee Retention Credit (ERC) funding from the federal government in the amount of \$16,519 in compliance with the program.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.



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