

**Women's Bean Project**

**Financial Statements**

**June 30, 2013**

**(With Independent Auditors' Report Thereon)**

**Independent Auditors' Report**

**Board of Directors  
Women's Bean Project**

We have audited the accompanying financial statements of Women's Bean Project (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Bean Project as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Cottrell & Associates, P.C.*

February 11, 2014

**Women's Bean Project**  
**Statements of Financial Position**  
**June 30, 2013 and 2012**

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 26,996	\$ -
Accounts receivable	63,563	58,093
Grants receivable	20,000	14,250
Contributions receivable	152,042	171,824
Prepays	14,414	13,854
Inventories	288,398	353,747
Property and equipment, net	634,109	657,235
<b>Other Assets</b>		
Trademark and license	774	924
Loan origination costs	2,812	3,057
Total Assets	\$ 1,203,108	\$ 1,272,984
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Cash overdraft	\$ -	\$ 2,675
Accounts payable	58,449	76,164
Accrued payroll and other expenses	41,776	61,032
Line of credit payable	185,421	50,000
Note payable City of Denver	12,279	-
Mortgage and equipment loan payable	211,183	225,795
Total Liabilities	509,108	415,666
<b>Net Assets</b>		
Unrestricted	521,958	685,494
Temporarily restricted	172,042	171,824
Total Net Assets	694,000	857,318
Total Liabilities and Net Assets	\$ 1,203,108	\$ 1,272,984

See accompanying notes to financial statements.

**Women's Bean Project**  
**Statement of Activities**  
**Year Ended June 30, 2013**

(with comparative financial information for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenues, Gains and Other Support</b>				
Production	\$ 1,043,861	\$ -	\$ 1,043,861	\$ 1,209,986
Cost of materials and supplies	<u>(598,240)</u>	<u>-</u>	<u>(598,240)</u>	<u>(723,069)</u>
Net revenue from production	445,621	-	445,621	486,917
Donations	164,671	-	164,671	242,572
Grants	286,500	20,000	306,500	393,535
Proceeds from special events	205,970	-	205,970	207,391
Less costs of direct benefit to donors	(43,988)	-	(43,988)	(39,283)
In-kind donation	3,994	-	3,994	-
Reimbursement for labor	124,614	-	124,614	10,045
Assets released from restriction				
Satisfaction of program and donor restrictions	<u>19,782</u>	<u>(19,782)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>1,207,164</u>	<u>218</u>	<u>1,207,382</u>	<u>1,301,177</u>
<b>Expenses</b>				
Program - Job Readiness Program	1,128,160	-	1,128,160	1,106,118
Support Services				
General and administrative	145,810	-	145,810	114,188
Fundraising	<u>96,729</u>	<u>-</u>	<u>96,729</u>	<u>91,656</u>
Total Support Services	<u>242,540</u>	<u>-</u>	<u>242,540</u>	<u>205,844</u>
Total Expenses	<u>1,370,700</u>	<u>-</u>	<u>1,370,700</u>	<u>1,311,962</u>
<b>Change in Net Assets</b>	(163,536)	218	(163,318)	(10,785)
Net Assets, beginning of year	<u>685,494</u>	<u>171,824</u>	<u>857,318</u>	<u>868,103</u>
<b>Net Assets, end of year</b>	<u><u>\$ 521,958</u></u>	<u><u>\$ 172,042</u></u>	<u><u>\$ 694,000</u></u>	<u><u>\$ 857,318</u></u>

See accompanying notes to financial statements.

**Women's Bean Project**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2013**

(with comparative financial information for the year ended June 30, 2012)

	Support Services			2013 Total Expenses	2012 Total Expenses
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 689,564	\$ 57,731	\$ 54,524	\$ 801,819	\$ 797,894
Interns and volunteers	9,551	777	777	11,106	-
Payroll taxes	60,655	5,918	7,397	73,970	96,962
Employee benefits	50,037	2,749	2,199	54,986	39,082
Total salaries and related expenses	<u>809,808</u>	<u>67,175</u>	<u>64,898</u>	<u>941,881</u>	<u>933,938</u>
Computer expenses	41,434	14,206	3,552	59,192	84,863
Dues and subscriptions	3,773	908	2,306	6,987	7,558
Education and training	7,977	1,220	188	9,385	14,837
Equipment rental	4,809	476	-	5,285	4,012
Fundraising	-	-	2,888	2,888	3,919
Insurance	20,730	2,827	-	23,557	19,035
Interest	20,468	2,274	-	22,742	18,689
Legal and accounting	-	6,300	-	6,300	1,212
Licenses and fees	2,171	296	823	3,290	4,288
Maintenance and repair	12,522	1,089	-	13,611	10,222
Marketing and advertising	33,499	2,185	728	36,412	26,869
Meetings and gatherings	600	229	53	882	3,597
Other operating expenses	-	-	-	-	2,715
Outside services	5,688	299	-	5,987	22,567
Postage	7,300	768	11,142	19,211	13,076
Printing	5,114	168	3,102	8,384	22,967
Product development	8,265	-	-	8,265	3,834
Program expenses	67,843	-	-	67,843	28,037
Fundraising events	-	-	43,988	43,988	39,283
Supplies	6,651	756	151	7,558	7,337
Telephone	4,283	1,428	-	5,710	5,891
Travel	1,464	412	412	2,287	4,087
Utilities	15,241	339	1,355	16,934	17,441
Web site	5,773	684	1,139	7,596	7,033
Real estate planning	-	36,489	-	36,489	-
In kind marketing	-	-	3,994	3,994	-
Depreciation and amortization	42,747	5,283	-	48,030	43,938
Total expenses	<u>1,128,160</u>	<u>145,810</u>	<u>140,717</u>	<u>1,414,688</u>	<u>1,351,245</u>
Special event costs netted against revenue	-	-	(43,988)	(43,988)	(39,283)
Total expenses in the statement of activities	<u>\$ 1,128,160</u>	<u>\$ 145,810</u>	<u>\$ 96,729</u>	<u>\$ 1,370,700</u>	<u>\$ 1,311,962</u>

See accompanying notes to financial statements.

**Women's Bean Project**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (163,318)	\$ (10,785)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation and amortization	48,030	43,938
(Increase) decrease in assets:		
Accounts receivable	(5,470)	(22,546)
Grants receivable	(5,750)	69,250
Contributions receivable	19,782	(60,105)
Prepays	(560)	8,964
Inventories	65,349	(60,202)
Increase (decrease) in liabilities:		
Accounts payable	(17,715)	18,191
Accrued payroll and other expenses	(19,256)	8,061
Net Cash Used by Operating Activities	(78,908)	(5,234)
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(24,509)	(37,243)
Net cash Used by Investing Activities	(24,509)	(37,243)
<b>Cash Flows from Financing Activities</b>		
Principal payments on mortgage and equipment loan	(14,612)	(13,157)
Proceeds from loan City of Denver	12,279	-
Proceeds from line of credit	200,000	240,000
Payments on line of credit	(64,579)	(190,000)
Net Cash Provided by Financing Activities	133,088	36,843
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	29,671	(5,634)
Cash and cash equivalents, beginning of year	(2,675)	2,959
<b>Cash and cash equivalents, end of year</b>	\$ 26,996	\$ (2,675)
Supplemental Information:		
Interest paid	\$ 22,742	\$ 18,689

See accompanying notes to financial statements.

# Women's Bean Project

## Notes to Financial Statements

June 30, 2013

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### (1) Summary of Significant Accounting Policies

#### (a) General

The Women's Bean Project (The Project) was incorporated in 1990 as a non-profit corporation exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code, and is not treated as a private foundation. The corporation is organized under the laws of the State of Colorado and is located in Denver, Colorado.

The mission of the Project is to teach, through employment in on-site businesses, workplace competencies for entry level positions to women in metro Denver who come from backgrounds of chronic unemployment or poverty. The Project strives to break the cycle of chronic unemployment and poverty by helping women discover their talents and develop skills and by offering job readiness training. With this stepping stone toward success, the women will be able to support themselves and their families, and create stronger role models for future generations.

#### (b) Basis of Accounting

The accompanying financial statements of the Project have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### (c) Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Project and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions. However, the board of trustees may choose to designate such funds for particular uses.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Project and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions that the Project maintains permanently. There were no permanently restricted net assets at June 30, 2013.

# Women's Bean Project, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (d) Revenue Recognition

The Project 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 stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be utilized, the Project reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Project sells its soups, mixes, gift baskets, jewelry and other products through both retail and wholesale channels. Revenue is recognized for the sale of these items upon shipment or delivery to the respective consumer, wholesaler or distributor.

#### (e) Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the pledge is received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

The Project uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### (f) Functional Allocation of Expenses

Functional expenses have been allocated between general and administrative, fund raising and respective program expenses based upon the following:

- A) Management and general expenses are allocated on the basis of estimated time spent in each area.
- B) Personnel expenses are allocated on the basis of direct salaries.
- C) Building and occupancy costs are allocated on the basis of square footage.



# Women's Bean Project, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (f) Functional Allocation of Expenses, Continued

##### Description of Program and Supporting Services

**Life Skills** - The Project offers transitional employment to women who come from backgrounds of chronic unemployment, poverty or displacement. In addition, the Project provides the benefit of coaching, training and support that these women require to help them develop basic proficiencies, life skills and job readiness skills.

**Production** - The Project operates an enterprise activity in the production and marketing of soups, coffee, gift baskets, jewelry and other items to provide employment opportunities to women and allow them to break the cycle of poverty.

**General and Administrative** - Includes functions to ensure an adequate working environment and manage financial responsibilities of the Project.

**Fundraising** - Includes an allocation of the professional staff's salary and supportive expenses for the purpose of preparing grant requests and meeting with community members for the purpose of educating the community and soliciting resources to support the Project's Mission statement.

#### (g) Cash and Cash Equivalents

The Project considers all unrestricted cash deposits and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### (h) Inventory

Inventories are valued at the lower of cost or market, using the average cost method.

#### (i) Property & Equipment

Expenditures for property and equipment or, if donated, the estimated fair market value of the asset at the date of donation in excess of \$500 are capitalized and depreciated over estimated useful lives using the straight line method. Repairs and maintenance expenditures that do not improve or materially extend the life of fixed assets are charged to expense as they are incurred. Fixed assets are depreciated over their useful lives ranging from 5 to 40 years.

# Women's Bean Project, Inc.

## Notes to Financial Statements, Continued

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### **(1) Summary of Significant Accounting Policies, Continued**

#### **(j) Intangible Assets**

The Project's trademark and license agreement are stated at the cost of their development, net of amortization using the straight-line method over fifteen years. Accumulated amortization at June 30, 2013 was \$4,912.

Loan origination costs of \$4,892 are being amortized over the 20-year term of the mortgage note. Accumulated amortization at June 30, 2013 was \$2,080.

#### **(k) Donated Services**

Donated services are recognized as contributions in accordance with generally accepted accounting principles. Accordingly, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Project. Volunteers provide a variety of tasks that assist the Project in its programs and general operations throughout the year that are not recognized as contributions in the financial statements because the nature of the services does not meet the recognition criteria.

#### **(l) Contributed Property, Equipment, and Supplies**

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Contributed supplies are recorded at fair value at the date of the donation, and are recorded as unrestricted support.

#### **(m) Advertising Costs**

Advertising and marketing costs are expensed when incurred.

#### **(n) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the useful life of long-lived assets and the capitalization of costs to inventory.

# Women's Bean Project, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (o) Concentration of Risk and Support

The Project currently operates from a single location in Denver, Colorado. Other agencies in the Denver community provide similar services in some respects to the specific program services the Program provides in terms of job readiness training. However, the Project has trademark protection associated with its products. The Project deposits its funds in accounts that are insured by the FDIC up to \$250,000.

#### (p) Fair Value of Financial Instruments

The carrying amounts of cash, receivables, payables and other short-term obligations approximate their fair value because of the near-term maturity of those instruments.

#### (q) Tax Exempt Status

The Project is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, only that income arising from unrelated business sources is subject to income taxes. For the year ended June 30, 2013, the Project did not incur taxes for unrelated trade or business income. In addition, the Project qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2).

Tax penalties and interest, if any, would be classified with income tax expense in the financial statements. No tax penalties or interest have been incurred or are recognized in the financial statements. Generally, three tax years remain subject to examination by tax jurisdictions.

#### (r) Prior Year Comparative Information

The financial statements include certain prior year comparative information in total as of and for the year ended June 30, 2012. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Project's financial statements as of and for the year ended June 30, 2012, from which the information was derived.

#### (s) Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the auditor's report.

## Women's Bean Project, Inc.

### Notes to Financial Statements, Continued

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#### (2) Inventories

Inventories consist of the following at June 30, 2013:

Food and related inventory:	
Raw materials and supplies	\$ 62,154
Finished goods	<u>104,654</u>
	166,808
Jewelry finished goods and work in process	<u>121,590</u>
Total inventory	\$ <u>288,398</u>

#### (3) Contributions Receivable

The following is a summary of unconditional contributions receivable at June 30, 2013:

Due in less than one year	\$ 59,825
Due in one to five years	<u>105,100</u>
Total unconditional contributions receivable	164,925
Less discounts to net present value	<u>(12,883)</u>
	\$ <u>152,042</u>

Amounts receivable are reflected at the present value of estimated cash future flows using discounts from 1.5% to 3% depending upon economic conditions at the time the pledges were made.

#### (4) Property and Equipment

Property and equipment consists of the following at June 30, 2013:

Land	\$ 38,850
Building and improvements	878,546
Furniture and fixtures	45,426
Automobiles	2,130
Equipment	117,902
Software and other	<u>77,237</u>
Total property and equipment	1,160,091
Less: accumulated depreciation	<u>(525,982)</u>
Net property and equipment	\$ <u>634,109</u>

## Women's Bean Project, Inc.

### Notes to Financial Statements, Continued

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#### (5) Mortgage and Equipment Note Payable

##### Mortgage

The Project has a 20-year mortgage note payable to the Colorado Housing and Finance Authority (CHFA) in monthly installments of \$1,848, which is collateralized by land and building. The note bears interest at 5% and is due January 2026.

##### Equipment Note Payable

An equipment loan payable to a commercial bank in monthly payments of \$257 is secured by equipment. The interest rate is 6% and is due January 2015.

At June 30, 2013, future maturities of long term debt are as follow:

2014	\$ 15,021
2015	13,136
2016	13,325
2017	14,007
2018	14,724
Thereafter	<u>140,970</u>
Total mortgage and equipment note	\$ <u>211,183</u>

#### (6) Line of Credit

The Project has a \$250,000 revolving line of credit with a commercial bank. As of June 30, 2013, the available balance was \$70,000 and there were \$180,000 in outstanding borrowings against the line of credit. Interest is payable monthly, at the prime lending rate, but not less than 5.75%, which was the rate throughout the year. The credit line matures April 2014 and is collateralized by a 2<sup>nd</sup> Deed of Trust and assignment of rents on the Project's land and building at 3201 Curtis Street, Denver, Colorado. In addition to the line of credit, \$5,421 in borrowings from an overdraft protection loan (6%) was drawn at June 30, 2013, for a total outstanding balance of \$185,421.

#### (7) Note Payable City of Denver

The Project has a loan agreement with the City of Denver that allows for borrowings up to \$60,000 to fund a feasibility study. The loan terms require repayment over 24 months, at an interest rate of 3%. At June 30, 2013, \$12,279 had been disbursed under this loan agreement.

## **Women's Bean Project, Inc.**

### **Notes to Financial Statements, Continued**

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#### **(8) Deferred Compensation Plan**

The Project has a Section 403(b) defined contribution plan covering all employees who wish to participate. Those employees who participate in the plan may make salary reduction contributions to the plan. Employer contributions are discretionary. There was no employer contribution during the year ended June 30, 2013.

#### **(9) Restricted Net Assets**

At June 30, 2013, restricted net assets consist of grants and contributions scheduled to be received in future years.

#### **(10) Commitments**

During 2012, the Project implemented an Enterprise Resource Planning "ERP" system, which has a license and maintenance fee of \$2,689 payable monthly.

#### **(11) Management's Plans**

After incurring losses during the last two years, the Project drafted, and the Finance Committee approved, a new business plan. Currently, the Project is in negotiations with its bank to pay off the line of credit by refinancing the mortgage while interest rates are favorable, and allowing access to the appreciated equity in the property. In addition, the plan requires a break-even result in fiscal 2014 on normal operations. Management and the Board are aggressively pursuing new funding sources to reduce the accumulated deficit and establish an adequate cash reserve. Management projects that all cash needs will be met throughout the next fiscal year.