

WOMEN'S BEAN PROJECT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

WOMEN'S BEAN PROJECT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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October 16, 2019

Independent Auditors' Report

Board of Directors
Women's Bean Project
Denver, Colorado

We have audited the accompanying financial statements of **Women's Bean Project** (a Colorado nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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 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 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.

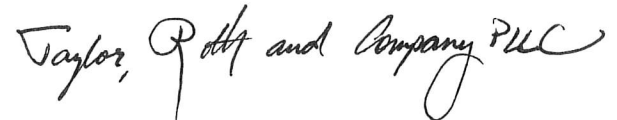
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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.

Report on Summarized Comparative Information

Other auditors previously audited Women's Bean Project's 2018 financial statements and they expressed an unmodified opinion on those audited financial statements dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Taylor, Roth and Company PLLC".

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WOMEN'S BEAN PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 355,194	\$ 399,598
Accounts receivable	13,804	15,046
Employee receivable	1,497	2,167
Grants receivable (Note 3)	70,000	-
Pledges receivable, net of allowance (Note 4)	187,756	181,294
Inventory (Note 5)	206,597	181,903
Prepaid expenses	9,910	8,903
Property and equipment, net (Note 6)	593,967	525,666
Other assets (Note 6)	13,483	15,766
Total assets	<u>\$ 1,452,208</u>	<u>\$ 1,330,343</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 59,364	\$ 20,029
Accrued payroll liabilities	37,163	36,971
Notes payable (Note 7)	427,198	444,868
Line of credit (Note 7)	26,500	-
Copier lease (Note 8)	9,611	12,194
Total liabilities	<u>559,836</u>	<u>514,062</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	461,981	461,604
Net investment in fixed assets	144,141	84,370
	<u>606,122</u>	<u>545,974</u>
With donor restrictions		
Donor purpose restrictions (Note 9)	286,250	270,307
Total net assets	<u>892,372</u>	<u>816,281</u>
Total liabilities and net assets	<u>\$ 1,452,208</u>	<u>\$ 1,330,343</u>

The accompanying notes are an integral part of these financial statements

WOMEN'S BEAN PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Production	\$ 756,485	\$ -	\$ 756,485	\$ 995,272
Cost of goods sold	(343,819)	-	(343,819)	(486,073)
Net revenue from production	412,666	-	412,666	509,199
Foundations and grants	478,985	102,150	581,135	517,053
Contributions	247,479	134,598	382,077	410,967
Special events	203,678	-	203,678	266,771
Less: direct expenses	(32,065)	-	(32,065)	(35,169)
Other income	875	-	875	35
In-kind contributions (Note 10)	65,611	-	65,611	101,522
Net assets released from donor restrictions (Note 11)	220,805	(220,805)	-	-
Total revenue and other support	1,598,034	15,943	1,613,977	1,770,379
<u>Expense</u>				
Program services	1,096,043	-	1,096,043	1,174,601
Supporting services				
Management and general	248,927	-	248,927	272,355
Fund-raising	192,916	-	192,916	201,667
Total expense	1,537,886	-	1,537,886	1,648,623
Change in net assets	60,148	15,943	76,091	121,756
Net assets, beginning of year	545,974	270,307	816,281	694,526
Net assets, end of year	\$ 606,122	\$ 286,250	\$ 892,372	\$ 816,281

The accompanying notes are an integral part of these financial statements

WOMEN'S BEAN PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	Supporting Services				
	Program	Management	Fund-	Total	Total
Description	Services	and General	raising		
Salaries	\$ 695,549	\$ 88,407	\$ 112,640	\$ 896,596	\$ 899,521
Payroll taxes and benefits	98,191	15,839	17,878	131,908	172,814
Advertising and promotion	28,549	58,373	875	87,797	120,843
Computer equipment	52,484	14,035	11,946	78,465	84,894
Utilities and rent	55,004	6,443	2,746	64,193	54,607
Contract and outside services	25,485	2,640	13,040	41,165	37,893
Special events expense	-	-	32,065	32,065	35,169
Fees, taxes and licenses	16,195	4,443	7,676	28,314	35,927
Interest expense	17,370	6,262	1,030	24,662	27,522
Insurance	16,314	5,725	1,527	23,566	18,410
Program expenses	14,597	-	-	14,597	31,792
Website	10,806	2,941	-	13,747	9,213
Printing	1,828	606	9,056	11,490	14,667
Accounting and legal	471	10,104	-	10,575	12,743
Postage	5,888	822	3,398	10,108	9,856
Dues and subscriptions	1,698	2,845	1,918	6,461	8,249
Education and training	4,343	482	355	5,180	10,884
Mileage and travel	3,854	271	384	4,509	5,730
Program- drug testing	4,445	-	-	4,445	4,681
Bad debts	-	-	4,424	4,424	19,173
Telephone	3,176	724	246	4,146	3,164
Auto expenses	3,762	-	-	3,762	8,977
Office supplies	2,617	309	383	3,309	3,166
Meetings	1,569	589	3	2,161	1,607
Payroll processing	1,339	-	13	1,352	2,747
Equipment rental	390	325	585	1,300	1,407
Other	3,751	215	1,320	5,286	4,851
	1,069,675	222,400	223,508	1,515,583	1,640,508
Depreciation and amortization	26,368	26,527	1,473	54,368	43,284
Total expenses	\$ 1,096,043	\$ 248,927	\$ 224,981	\$ 1,569,951	\$ 1,683,792
Expenses netted against revenue:					
Special events expense	-	-	(32,065)	(32,065)	(35,169)
Net expenses	\$ 1,096,043	\$ 248,927	\$ 192,916	\$ 1,537,886	\$ 1,648,623

The accompanying notes are an integral part of these financial statements

WOMEN'S BEAN PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 76,091	\$ 121,756
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation and amortization	54,368	43,284
Donated fixed assets	-	(4,539)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	1,242	20,327
(Increase)decrease in employee receivable	670	-
(Increase)decrease in prepaid expenses	(1,007)	20,232
(Increase)decrease in grants receivable	(70,000)	-
(Increase)decrease in pledges receivable	(6,462)	-
(Increase)decrease in inventory	(24,694)	21,704
Increase(decrease) in accounts payable	39,335	2,252
Increase(decrease) in accrued payroll liabilities	191	-
Net cash provided by operating activities	<u>69,735</u>	<u>225,016</u>
<u>Cash flows from investing activities</u>		
Purchases of fixed assets	<u>(120,386)</u>	<u>(40,777)</u>
Net cash used in investing activities	<u>(120,386)</u>	<u>(40,777)</u>
<u>Cash flows from financing activities</u>		
Repayment of notes payable	(10,663)	(17,751)
Payments on capital lease	(2,583)	(2,313)
Borrowing on line of credit	26,500	-
Payments on operating loan	<u>(7,007)</u>	<u>-</u>
Net cash provided(used) by financing activities	<u>6,247</u>	<u>(20,064)</u>
Net increase(decrease)in cash and cash equivalents	(44,404)	164,175
Cash and cash equivalents, beginning of year	<u>399,598</u>	<u>235,423</u>
Cash and cash equivalents, end of year	<u>\$ 355,194</u>	<u>\$ 399,598</u>

The accompanying notes are an integral part of these financial statements

WOMEN'S BEAN PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - NATURE OF ACTIVITIES

Women's Bean Project (the Project), a Colorado not-for-profit organization, was incorporated in 1990. The mission of the Project is to change women's lives by providing stepping-stones to self-sufficiency through social enterprise. The Project strives to break the cycle of chronic unemployment and poverty by helping women discover their talents, develop skills and receive job readiness training. With this stepping-stone toward success, the women will be able to support themselves and their families and create stronger models for future generations.

The Project operates an enterprise activity in the production and marketing of soups, mixes, gift baskets, jewelry and other items.

The Project's program, job readiness, 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.

The Project primarily receives support from product sales, foundations and grants, and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

The financial statements of the Project have been prepared in accordance with U.S. generally accepted accounting principles which require the Project to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Project's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Project or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

2. Basis of Presentation (Concluded)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

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

4. Inventory

Inventory consists of soups, mixes, gift baskets, jewelry and other items available for sale and is stated at the lower of cost or net realizable value, using the first in, first out method of costing, less a reserve for slow-moving and obsolete inventory.

5. Capitalization and Depreciation

The Project follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,500. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. 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.

7. Income Taxes

The Project has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

9. Functional Reporting of Expenses

For the year ended June 30, 2019, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses allocated are salaries, payroll taxes, and contract services which are allocated based on time and effort. Production and utilities are allocated by square footage. All other costs are assigned directly or allocated to the program or functional area benefited.

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 for the year ended June 30, 2018, from which the summarized information was derived.

11. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about the functional allocation of expenses, and consistency in reporting investment return. The Project has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

12. Subsequent Events

Management has evaluated subsequent events through October 16, 2019, the date the financial statements were available for distribution.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable are to be received as follows:

<u>Fiscal year</u>	<u>Amount</u>
2020	<u>\$ 70,000</u>

NOTE 4 - PLEDGES RECEIVABLE, NET OF ALLOWANCE

The organization has received pledges from individuals. At year-end, pledges receivable, present value discount, and related allowance were:

<u>Fiscal year</u>	<u>Amount</u>
2020	\$ 79,459
2021	64,790
2022	43,589
2023	27,168
2024 and after	<u>4,051</u>
Total pledges	219,057
Less discounts to net present value	(17,524)
Less allowance for uncollectable pledges	<u>(13,777)</u>
Net pledges receivable	<u>\$ 187,756</u>

Amounts receivable are reflected at the present value of estimated future cash flows using discounts from 5 to 5.5 percent, depending on economic conditions at the time the promises were made.

NOTE 5 - INVENTORY

Inventory, valued at the lower of cost or net realizable value, consists of the following at June 30, 2019:

<u>Food and related inventory</u>	<u>Amount</u>
Raw materials and supplies	\$ 91,125
Finished goods	<u>109,898</u>
	<u>\$ 201,023</u>
 <u>Jewelry and related inventory</u>	
Raw materials and supplies	\$ 3,436
Finished goods	<u>2,138</u>
	<u>5,574</u>
Total inventory	<u>\$ 206,597</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Building and improvements	\$ 904,272
Software and equipment	239,381
Construction in process	79,156
Land	38,850
Furniture and fixtures	23,803
Leased copier	14,927
Vehicles	<u>1,000</u>
Total	1,301,389
Less: accumulated depreciation	<u>(707,422)</u>
Net property and equipment	<u>\$ 593,967</u>

Other assets include:

<u>Description</u>	<u>Amount</u>
Trademarks (recorded at cost)	\$ 23,256
Loan origination costs	<u>11,473</u>
Total	34,729
Less: accumulated amortization	<u>(21,246)</u>
Net other assets	<u>\$ 13,483</u>

Depreciation and amortization expense for the year was \$54,368.

NOTE 7 - NOTES PAYABLE

In April 2019, the Project refinanced a loan in the amount of \$398,246 with a commercial bank. The loan has an annual interest rate of 4.53% and is payable in 35 monthly installments of \$2,540. The loan is secured by a deed of trust and assignment of rents on the project's land and building, and bears a one percent prepayment penalty. The Note will mature April 23, 2022, at which time a balloon payment of \$361,703 along with any unpaid principal plus interest will be due.

The scheduled principal payments as of June 30, 2019 are:

<u>Year</u>	<u>Amount</u>
2020	\$ 10,539
2021	13,183
2022	10,791
Balloon	<u>361,703</u>
Total	<u>\$ 396,216</u>

NOTE 7 - NOTES PAYABLE (Concluded)

In September 2016, the Project obtained an unsecured loan in the amount of \$50,000 from a foundation. The loan has an annual interest rate of 1.50 percent and is payable in quarterly installments of \$1,884. The loan will mature September 2023, at which time any unpaid principal plus interest will be due.

The scheduled principal payments as of June 30, 2019 are:

<u>Fiscal year</u>	<u>Amount</u>
2020	\$ 7,538
2021	7,538
2022	7,538
2023 and after	<u>8,368</u>
Total	<u>\$ 30,982</u>

Line of credit

At June 30, 2019, the Project has a balance of \$26,500 on a secured \$250,000 revolving line of credit. Interest accrues at prime plus 1.5 percent. Any outstanding balance plus all accrued interest will be due April 22, 2022. The interest rate at June 30, 2019 was 6%.

Interest expense for the year was \$24,662.

NOTE 8 - CAPITAL LEASE OBLIGATION

The Project has acquired a photocopier under capital leasing arrangements. The future minimum lease payments are:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 3,588
2021	3,588
2022	3,588
2023	<u>299</u>
Total	11,063
Less: amount representing interest	<u>(1,452)</u>
Present value of capital lease	<u>\$ 9,611</u>

NOTE 9 - NET ASSETS WITH DONOR PURPOSE RESTRICTIONS

Net assets with donor purposes restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Time restricted pledges	\$ 187,756
Production equipment	87,488
Internship	6,000
Viking grant	<u>5,006</u>
Total	<u>\$ 286,250</u>

NOTE 10 - IN-KIND CONTRIBUTIONS

During the year, in-kind contributions were received as follows:

<u>Description</u>	<u>Amount</u>
Google advertising	\$ 58,188
Discount on accounting software subscription	6,500
Other supplies	<u>923</u>
Total	<u>\$ 65,611</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor purpose restrictions by incurring expenses satisfying the following restricted program purposes:

<u>Description</u>	<u>Amount</u>
Time restricted pledges	\$ 89,056
Program specific	78,006
Production equipment	43,743
Internship	<u>10,000</u>
Total	<u>\$ 220,805</u>

NOTE 12 - TAX SHELTERED RETIREMENT PLAN

The Project maintains a defined-contribution tax sheltered deferred retirement plan that provides for retirement benefits based on the actual value of contributions at the time of retirement. Employees must have completed two years of service and earn at least \$5,000 per year before they become eligible to participate. Employees are fully vested on participation. Employer contributions to the plan are based on the participants' salaries and were 2 percent of gross salaries. Employees' contributions are voluntary and variable. Total pension expense for the year was \$7,975.

NOTE 13 - RELATED PARTIES

The Project purchases beans from a supplier whose owner sits on the board of the Organization. The Organization paid the supplier \$61,125 in the 2019 fiscal year. The arrangement was approved in accordance with the Organization's conflict of interest policy.

NOTE 14 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at June 30, 2019:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 355,195
Accounts and employee receivable	15,301
Grants receivable	70,000
Pledges receivable	<u>187,756</u>
Total financial assets	628,252
Less amounts not available to be used within one year:	
Pledges receivable – time restricted	<u>(139,597)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 488,655</u>

The Project has certain donor-restricted assets which are available for general operating expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets available to meet general operating expenditures within one year.

The Project manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.