

COATS FOR KIDS-CLEVELAND
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019



COATS FOR KIDS-CLEVELAND

JUNE 30, 2020 AND 2019

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September 1, 2020

Board of Directors
Coats for Kids-Cleveland
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of Coats For Kids-Cleveland (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, 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 Coats For Kids-Cleveland as of June 30, 2020 and 2019 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

COATS FOR KIDS-CLEVELAND
STATEMENTS OF FINANCIAL POSITION

	ASSETS		Increase
	<u>Jun. 30, 2020</u>	<u>Jun. 30, 2019</u>	<u>(Decrease)</u>
Current Assets			
Cash	\$ 417,093	\$ 551,778	\$ (134,685)
Accounts receivable	-	66,929	(66,929)
Inventory	49,660	45,358	4,302
Prepaid expenses	<u>2,456</u>	<u>2,204</u>	<u>252</u>
Total Current Assets	<u>469,209</u>	<u>666,269</u>	<u>(197,060)</u>
Other Assets			
Deposits	<u>172</u>	<u>172</u>	<u>-</u>
Total Other Assets	<u>172</u>	<u>172</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 469,381</u>	<u>\$ 666,441</u>	<u>\$ (197,060)</u>

	LIABILITIES AND NET ASSETS		Increase
	<u>Jun. 30, 2020</u>	<u>Jun. 30, 2019</u>	<u>(Decrease)</u>
Current Liabilities			
Accounts payable	\$ 354	\$ 21,970	\$ (21,616)
Deferred revenue	-	13,711	(13,711)
Accrued payroll expenses	<u>1,112</u>	<u>1,238</u>	<u>(126)</u>
Total Current Liabilities	<u>1,466</u>	<u>36,919</u>	<u>(35,453)</u>
Net Assets			
Without donor restrictions	467,915	629,522	(161,607)
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>467,915</u>	<u>629,522</u>	<u>(161,607)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 469,381</u>	<u>\$ 666,441</u>	<u>\$ (197,060)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants	\$ -	\$ 74,998	\$ 74,998
Contributions (See Note 10 - Fundraising and Special Events)			
Foundations	92,503	-	92,503
Corporation	69,545	-	69,545
Individual	47,941	-	47,941
In-kind donations	275,968	-	275,968
Interest income savings	7,957	-	7,957
Released from restrictions	<u>74,998</u>	<u>(74,998)</u>	<u>-</u>
 Total Revenue and Support	 568,912	 -	 568,912
Expenses			
Program expenses	676,826	-	676,826
Management services	32,631	-	32,631
Fundraising expenses	<u>21,062</u>	<u>-</u>	<u>21,062</u>
 Total Expenses	 <u>730,519</u>	 <u>-</u>	 <u>730,519</u>
 Change in Net Assets	 (161,607)	 -	 (161,607)
 Net Assets at Beginning of Year	 <u>629,522</u>	 <u>-</u>	 <u>629,522</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 467,915</u>	 <u>\$ -</u>	 <u>\$ 467,915</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants	\$ -	\$ 49,984	\$ 49,984
Contributions			
Foundations	23,866	-	23,866
Corporation	99,592	-	99,592
Individual	22,100	-	22,100
In-kind donations	227,292	-	227,292
Fundraising and special events	508,433	-	508,433
Other revenue	76,291	-	76,291
Interest income savings	2,132	-	2,132
Released from restrictions	<u>49,984</u>	<u>(49,984)</u>	<u>-</u>
 Total Revenue and Support	 1,009,690	 -	 1,009,690
Expenses			
Program expenses	560,480	-	560,480
Management services	39,095	-	39,095
Fundraising expenses	<u>21,705</u>	<u>-</u>	<u>21,705</u>
 Total Expenses	 <u>621,280</u>	 <u>-</u>	 <u>621,280</u>
 Change in Net Assets	 388,410	 -	 388,410
 Net Assets at Beginning of Year	 <u>241,112</u>	 <u>-</u>	 <u>241,112</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 629,522</u>	 <u>\$ -</u>	 <u>\$ 629,522</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Related Costs				
Salaries	\$ 31,304	\$ 15,935	\$ 12,604	\$ 59,843
Payroll taxes	<u>13,289</u>	<u>2,561</u>	<u>4,857</u>	<u>20,707</u>
Total Salaries and Related Costs	44,593	18,496	17,461	80,550
Other Expenses				
Advertising	170	-	-	170
Bank charges	-	1,919	-	1,919
Dues & subscriptions	896	-	-	896
Insurance	279	1,938	-	2,217
Licenses and fees	-	200	-	200
Outside services	667	-	-	667
Postage	317	-	-	317
Professional fees	-	4,864	-	4,864
Printing	172	-	-	172
Rent (donated)	107,343	5,000	-	112,343
Warehouse expenses	9,544	-	-	9,544
Travel and conferences	7,466	-	-	7,466
Supplies	1,735	214	1,593	3,542
Telephone	468	-	-	468
Volunteer expense	245	-	2,008	2,253
Winter apparel	<u>502,931</u>	<u>-</u>	<u>-</u>	<u>502,931</u>
Total Expenses	<u>\$ 676,826</u>	<u>\$ 32,631</u>	<u>\$ 21,062</u>	<u>\$ 730,519</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Related Costs				
Salaries	\$ 31,533	\$ 19,946	\$ 15,471	\$ 66,950
Payroll taxes	<u>13,663</u>	<u>5,535</u>	<u>6,014</u>	<u>25,212</u>
Total Salaries and Related Costs	45,196	25,481	21,485	92,162
Other Expenses				
Advertising	170	-	-	170
Bank charges	-	1,870	-	1,870
Dues & subscriptions	560	295	-	855
Insurance	783	1,864	-	2,647
Licenses and fees	-	100	-	100
Postage	1	21	107	129
Professional fees	-	4,155	-	4,155
Printing	547	-	-	547
Rent (donated)	66,017	5,000	-	71,017
Warehouse expenses	6,086	-	-	6,086
Supplies	7,849	197	113	8,159
Travel	5,915	112	-	6,027
Volunteer expense	795	-	-	795
Winter apparel	<u>426,561</u>	<u>-</u>	<u>-</u>	<u>426,561</u>
Total Expenses	<u>\$ 560,480</u>	<u>\$ 39,095</u>	<u>\$ 21,705</u>	<u>\$ 621,280</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Jun. 30, 2020</u>	<u>Jun. 30, 2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (161,607)	\$ 388,410
Adjustments to Reconcile Net Change to Net Cash Provided by (used in) Operating Activities		
Decrease (Increase) in Operating Assets:		
Contributions and grants receivables	66,929	(66,929)
Inventory	(4,302)	44,277
Prepays	(252)	(1,228)
(Decrease) Increase in Operating Liabilities:		
Accounts payable	(21,616)	21,970
Deferred revenue	(13,711)	10,211
Accrued liabilities	(126)	-
Total Adjustments	<u>26,922</u>	<u>8,301</u>
Net Cash (Used In) Provided By Operating Activities	(134,685)	396,711
Cash Flows From Investing Activities		
Net Cash (Used In) Investing Activities	-	-
Cash Flows From Financing Activities		
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
Net (Decrease) Increase In Cash and Cash Equivalents	(134,685)	396,711
Cash and Cash Equivalents at Beginning of Period	<u>551,778</u>	<u>155,067</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 417,093</u>	<u>\$ 551,778</u>
Supplemental information		
Interest paid on all indebtedness	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COATS FOR KIDS-CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1- Description of Organization

- A. Coats For Kids-Cleveland (CFK) is a non-profit organization that provides new and like new coats to needy children of northeast Ohio in cooperation with the school districts and other local charitable organizations.
- B. CFK was granted tax-exempt status under Internal Revenue Service Code Section 501(c)(3), on November 3, 1999.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- CFK records transactions on an accrual basis. Revenue (if any) is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. Statements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)

Coats for Kids complies with ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which requires a not-for-profit (NFP) to present on the face of the statement of financial position amounts for two classes of net assets (without donor restrictions and with donor restrictions) rather than the previously required three classes. The amendments also enhance disclosures about the amount and purposes of board designations, appropriations, and similar actions and qualitative and quantitative information that communicates how an NFP manages its liquid resources available to meet cash needs within one year of the statement of financial position date. Additional disclosures are required surrounding the amounts of expenses by both their natural classification and the method(s) used to allocate costs among program and support functions.

As required by ASU No. 2016-14, contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. For the years ended June 30, 2020 and 2019 Coats for Kids had no net assets with donor restrictions. Net assets released from restrictions in fiscal years ended June 30, 2020 and 2019 were \$74,998 and \$49,984 respectively. All net assets were released by qualified expenditure and no net assets were released by the passage of time.

Coats for Kids also complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to donor restricted net assets. For service contracts, if any, Coats for Kids complies with Topic 606, Revenue from Contracts with Customers.

See Auditors' Report

COATS FOR KIDS-CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 2- Summary of Significant Accounting Policies (Continued)

- D. Allocation of Expenses- Expenses are generally charged to the specific programs for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under program services as well as supporting services. Such expenses are allocated among the various program services and support services based on the relationship of functionalized payroll costs to total payroll costs.
- E. Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- F. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants with donor restrictions are recorded as donor restricted grants when awarded. Some grants awarded to CFK require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant.
- G. Advertising Costs- CFK expenses advertising cost when incurred.
- H. CFK complies with FASB ASC 740- Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. The management of CFK believes that there are no uncertain tax positions. CFK's tax years that remain subject to examination by the Internal Revenue Service are fiscal years ended June 30, 2017 and forward.
- I. Recently issued pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by the organization as of the specified effective date. Unless otherwise discussed, the organization believes that the impact of other recently issued accounting pronouncements will not have a material impact on its financial position, statements of activities, changes in net deficit, and cash flows, or do not apply to the organization's operations.
- J. CFK complies with FASB ASC 958-605, Revenue Recognition for Donated Services and Materials. Accordingly, only those services which require a specialized skill (if any) are recorded as an in-kind donation and corresponding expense. No donated specialized services have been recorded during fiscal years ended June 30, 2020 or 2019.

See Auditors' Report

COATS FOR KIDS-CLEVELAND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020 AND 2019

NOTE 2- Summary of Significant Accounting Policies (Continued)

K. Investments Measured at Fair Value (if any)- Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, CFK initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation, they are recorded at estimated fair value.

Subsequent valuation- CFK complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, CFK values the investment at lower of cost or management's estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For CFK the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1).

NOTE 3- Cash and Cash Equivalents

CFK considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There are no bank restrictions on the cash accounts. Cash and cash equivalents consist of the following:

	June 30,	
	<u>2020</u>	<u>2019</u>
Cash-lockbox	\$ 899	\$ 9,773
Cash-checking	1,320	41,086
Cash-money market	<u>414,874</u>	<u>500,919</u>
Total	<u>\$417,093</u>	<u>\$551,778</u>

CFK maintains its cash in a bank account which, at times, exceeds the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. CFK has not experienced any losses in this account and believes it is not exposed to any significant credit risk related to cash.

NOTE 4- Accounts Receivable

Based on management's review of specific receivables, management believes all amounts are collectible and therefore, no allowance for doubtful accounts is required.

See Auditors' Report

COATS FOR KIDS-CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 5- Inventory

During FYE June 30, 2020 inventory consists of 1,644 new coats and 1,000 like new coats. CFK received approximately 6,545 like new coats and purchased an additional 23,427 of which 27,328 were distributed to needy children. The more expensive U.S. made coats were purchased in compliance with grant requirements.

During FYE June 30, 2019, inventory consists of 2,272 new coats and 542 like new coats. CFK received approximately 6,251 like new coats and purchased an additional 18,513 of which 24,537 were distributed to needy children.

The value of the coats, which is at lower of cost or market on a first in first out basis, is approximately \$15 (\$14 for FYE June 30, 2019) for each new non- U S made coat, and \$25 for each like new coat for fiscal years ended June 30, 2020 and 2019.

Coats on hand (2,644 and 2,814) as of June 30, 2020 and 2019 are valued at \$49,660 and \$45,358, respectively.

NOTE 6- Net Assets with Donor Restrictions

As of June 30, 2020, and 2019 CFK had no net assets with donor restrictions.

NOTE 7- In-kind Donations

During fiscal year ended June 30, 2019 there was a fire in the CFK warehouse. In March 2019, CFK was able to secure new warehouse space which is also donated. Management estimates the warehouse and office space to have values of \$66,017 and \$5,000, respectively for fiscal year ended June 30, 2019.

In March 2020, CFK moved again into different and significantly larger donated warehouse to store and sort the coats. CFK also uses donated office space which is used as the Organization's official address. Management estimates the warehouse and office space to have values of \$107,343 and \$5,000, respectively for fiscal year ended June 30, 2020.

The contribution and the related expense have been included in these financial statements.

As stated in Note 5- Inventory, CFK received approximately 6,545 and 6,251 like new coats for fiscal years ended June 30, 2020 and 2019, respectively. Management estimates the value of the donated coats to be \$163,625 and \$156,275, for fiscal years ended June 30, 2020 and 2019, respectively.

See Auditors' Report

COATS FOR KIDS-CLEVELAND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020 AND 2019

NOTE 8-Fire Insurance Proceeds

During FYE June 30, 2019, there was a fire in the CFK warehouse. All inventory and supplies in the warehouse at the time were destroyed. CFK was reimbursed by insurance in the amount of \$173,068 which was in excess of the book value of these assets by \$76,291.

NOTE 9- Income Taxes

CFK is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reported in the financial statements.

NOTE 10 – Fundraising and Special Events

During fiscal year ended June 30, 2020, CFK did not hold any fundraising events. An event planned for May 29 & 30, 2020 was cancelled due to COVID-19 pandemic.

During fiscal year ended June 30, 2019, CFK held three fundraisers with the help of a local radio personality and iHeartMedia . Revenues shown are net of direct expenses and are calculated as follows:

	Sept. 2018 Car/Cash <u>Raffle</u>	Sept. 2018 Benefit <u>Show</u>	June 2019 Fire Relief <u>Benefit</u>	<u>Total</u>
Contributions	\$50,658	\$70,508	\$125,131	\$246,597
Ticket sales	210,100	84,028	55,500	349,328
Direct expenses	<u>(40,788)</u>	<u>(21,346)</u>	<u>(25,358)</u>	<u>(87,492)</u>
Net fundraising	<u>\$219,970</u>	<u>\$133,190</u>	<u>\$155,273</u>	<u>\$ 508,433</u>

CFK received the following non-cash donations related to the 9/2018 Benefit Show:

Rooms, food & credit card processing	\$ 25,000
2 Pairs of diamond earrings & other raffle prizes	23,750
Printing expenses	4,000
Audio Visual	136,520
Other items and services	<u>27,664</u>
Total	<u>\$ 216,934</u>

CFK received the following non-cash donations related to the September 2018 Car/Cash raffle:

2018 Nissan Sentra	<u>\$ 18,615</u>
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See Auditors' Report

COATS FOR KIDS-CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 10 – Fundraising Special Events (Continued)

CFK received the following non-cash donations related to the 6/2019 Fire Relief Benefit

Rooms, food & credit card processing	\$ 25,000
Raffle prizes	25,250
Printing expenses	4,000
Audio visual	88,501
Other Items and expenses	<u>6,765</u>
Total	<u>\$ 159,516</u>

NOTE 11- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$0 for June 30, 2020 and 2019.

NOTE 12- Subsequent Events

CFK has evaluated subsequent events through September 15, 2020, which is the date the financial statements were available to be issued. No events have occurred that require adjustment to or disclosure in these financial statements. Further, the national crisis related to the COVID-19 pandemic is not anticipated to have a material impact on the fiscal year ending June 30, 2021 financial statements and beyond.

NOTE 13- Related Party Transactions / Concentration Risk

iHeartMedia and TEGNA, Inc. dba WKYC-TV support CFK in a variety of ways including but not limited to employees who serve on the board without additional compensation, employees who attend and work on fund raising events, advertising on the radio, television and billboards, and the use of office space. Without this support, CFK would likely receive and consequently distribute significantly less donated like new coats.

NOTE 14-Prior Period Adjustment

As Stated in Note 8-Fire Insurance Proceeds, During FYE June 30, 2019, there was a fire in the CFK warehouse. An additional \$13,712 worth of expenses has been recorded as of June 30, 2019. There was also an additional \$2,190 related to fund raising expenses.

See Auditors' Report