

COATS FOR KIDS-CLEVELAND  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020



COATS FOR KIDS-CLEVELAND

JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT..... 1

FINANCIAL STATEMENTS

    Statement s of Financial Position..... 2

    Statement of Activities and Changes in Net Assets

        For the year ended June 30, 2021 ..... 3

        For the year ended June 30, 2020 ..... 4

    Statement of Functional Expenses

        For the year ended June 30, 2021 ..... 5

        For the year ended June 30, 2020 ..... 6

    Statement s of Cash Flows..... 7

NOTES TO FINANCIAL STATEMENTS ..... 8-12

August 24, 2021

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, 2021 and 2020, 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, 2021 and 2020 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			
	<u>Jun. 30, 2021</u>	<u>Jun. 30, 2020</u>	Increase (Decrease)
Current Assets			
Cash	\$ 344,047	\$ 417,093	\$ (73,046)
Inventory	87,000	49,660	37,340
Prepaid expenses	<u>1,137</u>	<u>2,456</u>	<u>(1,319)</u>
Total Current Assets	<u>432,184</u>	<u>469,209</u>	<u>(37,025)</u>
Other Assets			
Deposits	<u>172</u>	<u>172</u>	<u>-</u>
Total Other Assets	<u>172</u>	<u>172</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 432,356</b></u>	<u><b>\$ 469,381</b></u>	<u><b>\$ (37,025)</b></u>

LIABILITIES AND NET ASSETS			
	<u>Jun. 30, 2021</u>	<u>Jun. 30, 2020</u>	Increase (Decrease)
Current Liabilities			
Accounts payable	\$ 425	\$ 354	\$ 71
Accrued payroll expenses	<u>1,236</u>	<u>1,112</u>	<u>124</u>
Total Current Liabilities	<u>1,661</u>	<u>1,466</u>	<u>195</u>
Net Assets			
Without donor restrictions	430,695	467,915	(37,220)
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>430,695</u>	<u>467,915</u>	<u>(37,220)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 432,356</b></u>	<u><b>\$ 469,381</b></u>	<u><b>\$ (37,025)</b></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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants	\$ -	\$ 74,998	\$ 74,998
Contributions			
Foundations	48,416	-	48,416
Corporation	64,918	-	64,918
Individual	76,470	-	76,470
In-kind donations	234,824	-	234,824
Interest income savings	687	-	687
Released from restrictions	<u>74,998</u>	<u>(74,998)</u>	<u>-</u>
 Total Revenue and Support	 500,313	 -	 500,313
Expenses			
Program expenses	496,791	-	496,791
Management services	29,937	-	29,937
Fundraising expenses	<u>10,805</u>	<u>-</u>	<u>10,805</u>
 Total Expenses	 <u>537,533</u>	 <u>-</u>	 <u>537,533</u>
 Change in Net Assets	 (37,220)	 -	 (37,220)
 Net Assets at Beginning of Year	 <u>467,915</u>	 <u>-</u>	 <u>467,915</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 430,695</u>	 <u>\$ -</u>	 <u>\$ 430,695</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			
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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Related Costs				
Salaries	\$ 19,094	\$ 13,125	\$ 8,121	\$ 40,340
Payroll taxes	<u>2,798</u>	<u>3,029</u>	<u>2,684</u>	<u>8,511</u>
Total Salaries and Related Costs	21,892	16,154	10,805	48,851
Other Expenses				
Bank charges	-	240	-	240
Dues & subscriptions	715	-	-	715
Insurance	1,413	2,581	-	3,994
Licenses and fees	-	125	-	125
Postage	88	68	-	156
Professional fees	1,025	5,630	-	6,655
Printing	214	-	-	214
Rent (donated)	140,724	5,000	-	145,724
Warehouse expenses	9,676	-	-	9,676
Travel and conferences	4,655	-	-	4,655
Supplies	113	-	-	113
Telephone	358	-	-	358
Volunteer expense	70	139	-	209
Winter apparel	<u>315,848</u>	<u>-</u>	<u>-</u>	<u>315,848</u>
Total Expenses	<u>\$ 496,791</u>	<u>\$ 29,937</u>	<u>\$ 10,805</u>	<u>\$ 537,533</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, 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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED

	<u>Jun. 30, 2021</u>	<u>Jun. 30, 2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (37,220)	\$ (161,607)
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
Inventory	(37,340)	(4,302)
Prepaid expenses	1,319	(252)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	71	(21,616)
Deferred revenue	-	(13,711)
Accrued liabilities	124	(126)
Total Adjustments	<u>(35,826)</u>	<u>26,922</u>
Net Cash (Used In) Operating Activities	(73,046)	(134,685)
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) in Cash and Cash Equivalents	(73,046)	(134,685)
Cash and Cash Equivalents at Beginning of Period	<u>417,093</u>	<u>551,778</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 344,047</u>	<u>\$ 417,093</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, 2021 AND 2020

NOTE 1- Description of Organization

- A. Coats For Kids-Cleveland (CFK) is a non-profit organization that provides new and like new coats to children in need of northeast Ohio in cooperation with 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. As of June 30, 2021 and 2020 Coats for Kids had no net assets with donor restrictions. Net assets released from restrictions in fiscal years ended June 30, 2021 and 2020 were \$74,998 and \$74,998 respectively. For fiscal years ended June 30, 2021 and 2020, 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, 2021 AND 2020

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, 2018 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, 2021 or 2020.

See Auditors' Report

COATS FOR KIDS-CLEVELAND  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021 AND 2020

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 the 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,	
	2021	2020
Cash-lockbox	\$ -	\$ 899
Cash-checking	12,491	1,320
Cash-money market	331,556	414,874
Total	<u>\$344,047</u>	<u>\$417,093</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, 2021 AND 2020

NOTE 5- Inventory

During FYE June 30, 2021, inventory consists of 2,825 new coats and 1,785 like new coats. CFK received approximately 3,564 like new coats and purchased an additional 16,014 of which 17,612 were distributed to children in need.

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 children in need.

The value of the coats, which is at lower of cost or market on a first in first out basis, is approximately \$15 for each new coat, and \$25 for each like new coat for fiscal years ended June 30, 2021 and 2020.

Coats on hand (4,610 and 2,644) as of June 30, 2021 and 2020 are valued at \$87,000 and \$49,660, respectively.

NOTE 6- Net Assets with Donor Restrictions

As of June 30, 2021, and 2020 CFK had no net assets with donor restrictions.

NOTE 7- In-kind Donations

In March 2020, CFK moved to a 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 \$140,724 and \$5,000, respectively for fiscal year ended June 30, 2021. 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 3,564 and 6,545 like new coats for fiscal years ended June 30, 2021 and 2020, respectively. Management estimates the value of the donated coats to be \$89,100 and \$163,625, for fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 8- 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.

See Auditors' Report

COATS FOR KIDS-CLEVELAND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

NOTE 9 – Fundraising and Special Events

During fiscal years ended June 30, 2021 and 2020, CFK did not hold any fundraising events. An event planned for May 29 & 30, 2020 was cancelled due to COVID-19 pandemic.

NOTE 10- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$0 for June 30, 2021 and 2020.

NOTE 11- 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 12- Response to COVID-19

The global and domestic response to the COVID-19 outbreak continues to rapidly evolve. Thus far, certain responses to the outbreak have included mandates from Federal, state and/or local authorities that require temporary closure of or imposed limitations on the operation of certain non-essential businesses. Further, the outbreak and associated responses could impact CFK and present uncertainty with respect to potential changes in future operations and funding sources.

The “Coronavirus Aid Relief and Economic Security (CARES) Act” was signed into law in March 2020. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of the employer portion of Social Security payments. CFK continues to examine the impacts that the CARES Act may have on its operations.

NOTE 13- Subsequent Events

Events that occur after the date of the statement of financial position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. CFK has evaluated subsequent events through September 15, 2021, 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 has altered the way CFK collects and distributes coats, CFK believes it has the resources and means to continue its operations and program throughout the coming years.

See Auditors’ Report