

CURT'S CAFÉ
(Formerly P.S. IT'S SOCIAL)

Financial Statements and
Independent Auditor's Report

December 31, 2018

CURT'S CAFÉ
(Formerly P.S. IT'S SOCIAL)

Financial Statements

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Curt's Café (Formerly P.S. It's Social)
Chicago, Illinois

We have audited the accompanying financial statements of Curt's Café (formerly P.S. It's Social) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities 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 Curt's Café (formerly P.S. It's Social) as of December 31, 2018, 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.

Adelfia LLC

Chicago, Illinois
November 11, 2019

CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)

STATEMENT OF FINANCIAL POSITION

December 31, 2018

Assets

Current Assets

Cash and Cash Equivalents	\$ 286,461
Total Current Assets	<u>286,461</u>

Property and Equipment

Leasehold Improvements	89,043
Furniture and Fixtures	85,247
Accumulated Depreciation	<u>(103,412)</u>
Total Property and Equipment	<u>70,878</u>

Other Assets

Security Deposits	2,000
Goodwill	<u>986</u>
Total Other Assets	<u>2,986</u>

Total Assets \$ 360,325

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 23,743
Accrued Expenses	18,873
Payroll Liability	<u>6,982</u>
Total Current Liabilities	<u>49,598</u>

Long term liabilities

Advances from Officer	68,975
Loan Payable	<u>30,000</u>
Total Long Term Liabilities	<u>98,975</u>
Total Liabilities	<u>148,573</u>

Net assets:

Net Assets Without Donor Restriction	96,515
Net Assets With Donor Restriction	<u>115,237</u>
Total Net Assets	<u>211,752</u>

Total Liabilities and Net Assets \$ 360,325

See Independent Auditor's Report and Notes to Financial Statements.

CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Restaurant Sales	\$ 382,266	\$ -	\$ 382,266
Less Cost of Goods Sold	(233,183)	-	(233,183)
Restaurant Gross Margin	<u>149,083</u>	<u>-</u>	<u>149,083</u>
Grants and Donations	388,014	237,925	625,939
Fundraising Events, Net	149,724	-	149,724
Donations In Kind	21,840	-	21,840
Released From Restriction	187,304	(187,304)	-
Total Revenues	<u>895,965</u>	<u>50,621</u>	<u>946,586</u>
Expenses			
Program Expenses			
Restaurant Operations	420,068	-	420,068
Social Services	283,167	-	283,167
Total Program Expenses	<u>703,235</u>	<u>-</u>	<u>703,235</u>
Administrative Expense	104,035	-	104,035
Fundraising Expense	69,540	-	69,540
Total Expenses	<u>876,810</u>	<u>-</u>	<u>876,810</u>
Increase in Net Assets	19,155	50,621	69,776
Net Assets, Beginning of Year	<u>77,358</u>	<u>64,618</u>	<u>141,976</u>
Net Assets at End of Year	<u>\$ 96,513</u>	<u>\$ 115,239</u>	<u>\$ 211,752</u>

See Independent Auditor's Report and Notes to Financial Statements.

CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018**

Cash Flows From Operating Activities	
Change in Net Assets	\$ 69,776
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities	
Depreciation Expense	15,176
Amortization Expense	1,200
Decrease in Food Inventory	1,586
Decrease in Prepaid Expenses	3,000
Decrease in Security Deposits	309
Increase in Accounts Payable	20,250
Increase in Payroll Liabilities	1,247
Increase in Accrued Expenses	3,142
Net Cash Provided by Operating Activities	<u>115,686</u>
Cash Flows From Financing Activities	
Payment of Advances from Office	(2,525)
Loan Received from the Bank	<u>30,000</u>
Net Cash Provided by Financing Activities	<u>27,475</u>
Cash, Beginning of the Year	<u>143,300</u>
Cash, End of the Year	<u>\$ 286,461</u>
In-kind Donations	\$ 21,840
In-kind Expenses	\$ 21,840

See Independent Auditor's Report and Notes to Financial Statements.

**CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1: ORGANIZATION PURPOSE AND FUNCTION

Curt's Café (formerly P.S It's Social), ("Curt's" or "Organization") is a not-for-profit organization organized October 5, 2011 whose purpose is to improve outcomes for young adults living in at-risk situations through work- and life-skills training. Curt's operates to restaurants as part of providing this training. During 2018, the Organization changed its name to "Curt's Café".

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Property and Equipment

Property and equipment are stated at cost. Curt's generally capitalizes items costing over \$5,000 or more. Provisions for depreciation of property and equipment are computed using the straight-line method based upon the estimated useful lives of the related assets. The estimated useful life for furniture and equipment is 2 to 7 years. Leasehold improvements are depreciated over 15 years. Depreciation expense for 2018 was \$15,176.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Net Assets

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and which requires the Organization to report information regarding 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 Organization management and the board of directors.

**CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 statements of activities.

Contributed Services

Services requiring specialized professional knowledge are contributed to Curt's from time to time. In 2018, Curt's did not receive contributed professional services. Contributed services not requiring specialized knowledge are not recorded.

Income Taxes

Curt's is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Curt's federal Exempt Organization Business Income Tax Returns for 2018 are subject to examination by the IRS, generally for three years after they were filed.

Adoption of New Accounting Pronouncement

For the year ended 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets if applicable, are now reported as net assets with donor restrictions.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

**CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 3: LIQUIDITY

The Organization's financial assets available within one year of the December 31, 2018 statement of financial position for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ <u>286,461</u>
Total financial assets	286,461
Less amounts not available to be used within one year	-
Less funds with purpose restrictions to be met in less than a year	
Highland Park – Restricted for New Café	(162,519)
Funds in Restricted Accounts	<u>(38,723)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>85,219</u></u>

The Organization's goal is generally to maintain financial assets without restrictions to meet 45 days of operating expenses, approximately \$109,724 (based on capacity for cash sales from cafes). As part of its liquidity plan, on a monthly basis, the Organization monitors grant renewal cycles and café sale contributions to prepare for delays in cash receipts, and expense cycles to prepare for cash disbursements that are outside of the regular monthly disbursement amounts. By monitoring its financial assets on a monthly basis, the Organization takes the necessary steps to address any potential liquidity issues before they endanger the fiscal health of the Organization. Financial support in place to accommodate shortfalls in liquidity include the following: a) bridge loan from Byline Bank (\$50,000 limit with \$20,000 available as of December 31, 2018), b) approved grants for upcoming year, and c) continued cash flow from café sales.

NOTE 4: LEASES

Curt's operates in three leased facilities. One lease that provides for rent of \$2,200 monthly until January 31, 2019 plus utilities. Curt's has an option to renew the lease on a month-to-month. The other lease is a sub-lease from a related party and provides for rent of \$4,800 monthly until December 31, 2019. This lease is on its second extension, and Curt's has an option to renew on a month-to-month after this second extension. The third facility leased provides for \$400 monthly rent until October 31, 2019 with an option to renew.

Minimum rents due under non-cancelable leases as of December 31, 2018 is \$79,008.

Rent expense for the year ended December 31, 2018 was \$88,845.

**CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 5: CREDIT RISK CONCENTRATIONS

Curt's maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the balances maintained with one of the two banks exceeded the insurance limit.

NOTE 6: ADVANCES FROM OFFICER

Curt's received working capital advances from prior years which accumulated to \$68,975 as of December 31, 2018. The working capital advances is non-interest bearing. During the year 2018, Curt's paid a total of \$2,525 and intends to pay \$1,000 per month until fully paid. Curt's availed of a Line of Credit agreement with Byline Bank, and was verbally agreed that Curt's must not pay back this loan until the Line of Credit is fully paid down.

NOTE 7: PROGRAM EXPENSES

Expenses by major program/category consist of:

Expenses	Fund Raising	General & Administrative	Restaurant Operations	Social Services	Total Expenses
Wages and Benefits	\$ 22,213	\$ 36,904	\$ 243,460	\$ 147,508	\$ 450,085
Occupancy	-	117	32,872	-	32,989
Rent	-	4,813	84,032	-	88,845
Repairs and Maintenance	-	47	9,713	-	9,760
Equipment	-	657	12,220	-	12,877
Contracted Services	-	-	12,225	-	12,225
Student Training	-	-	3,549	120,730	124,279
Office Expenses	120	343	7,284	3,417	11,164
Insurance	-	33,575	-	-	33,575
Advertising	-	-	5,330	8,998	14,328
Depreciation	-	15,176	-	-	15,176
Professional Fees	4,000	7,500	-	-	11,500
Travel	-	91	2,209	1,456	3,756
Other	-	3,612	1,625	1,058	6,295
Catering Supplies and Expenses	-	-	5,549	-	5,549
Amortization	-	1,200	-	-	1,200
In-kind- Food and Beverages	21,840	-	-	-	21,840
Fundraising Expenses	21,367	-	-	-	21,367
	<u>\$ 69,540</u>	<u>\$ 104,035</u>	<u>\$ 420,068</u>	<u>\$ 283,167</u>	<u>\$ 876,810</u>

**CURT'S CAFÉ (Formerly P.S. IT'S SOCIAL)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8: FUND IN HELD IN TRUST

The Evanston Community Foundation (“ECF”) holds an endowment fund, the “Fund for Curt’s Café”, established by a donor and designated to support the work of Curt’s through annual distributions from the fund. ECF owns and invests the assets and offers an annual distribution to Curt’s based upon its investment and spending policy. Currently, the annual distributions represent 5% of the most recent three year ending balances in the Fund.

As of December 31, 2018, the total amount of the fund held was \$18,342, additional contributions received was \$250, investment loss during the year was \$1,179, and the administrative expenses incurred was \$233.

NOTE 9: LINE OF CREDIT

The Organization entered into a line of credit agreement with Byline Bank dated December 4, 2017. Borrowings under the line of credit are limited to \$50,000 as defined in the agreement. The line of credit is secured by inventory and equipment of Curt’s. The Organization borrowed funds from the line of credit during the year on June 20, 2018 maturing May 31, 2019. Interest on outstanding borrowings is payable at 5.5% as of December 31, 2018. Curt’s has an outstanding loan payable of \$30,000 as of December 31, 2018.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 11, 2019 which is the date the financial statements were available to be issued. On August 31, 2019, the Curt’s Café Restaurant operations at the South location was closed. A new location in Highland Park was opened in October 29, 2019.