PINKY SWEAR FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

PINKY SWEAR FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinky Swear Foundation
Bloomington, Minnesota

We have audited the accompanying financial statements of Pinky Swear Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits. We conducted our audits 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 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 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.

Board of Directors
Pinky Swear Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinky Swear Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 13, 2018

PINKY SWEAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 561,069	$ 233,398
Pledge Receivables	25,000	158,551
Prepaid Expenses and Other Assets	90,311	42,675
Total Current Assets	676,380	434,624
OTHER ASSETS		
Endowment Funds	250,000	-
PROPERTY AND EQUIPMENT, NET	410,972	428,419
Total Assets	$ 1,337,352	$ 863,043
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 44,847	$ 125,584
Accrued Expenses	54,173	157,280
Short-Term Note Payable	14,922	27,939
Current Portion of Capital Lease Obligation	10,992	9,445
Current Maturities of Note Payable	191,311	50,625
Total Current Liabilities	316,245	370,873
LONG-TERM LIABILITIES		
Capital Lease Obligation	-	10,991
Note Payable	-	189,895
Total Long-Term Liabilities	-	200,886
Total Liabilities	316,245	571,759
NET ASSETS		
Unrestricted	(87,188)	(108,310)
Temporarily Restricted	858,295	399,594
Permanently Restricted	250,000	-
Total Net Assets	1,021,107	291,284
Total Liabilities and Net Assets	$ 1,337,352	$ 863,043

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions - Businesses	$ 134,488	$ 130,000	$ -	$ 264,488
Contributions - Foundations	128,921	225,000	250,000	603,921
Contributions - Individuals	165,182	10,000	-	175,182
Special Events, Net of Direct Expenses of $242,742 and $222,470	1,152,183	500,000	-	1,652,183
Donated Goods and Services	235,728	-	-	235,728
Released from Restriction	406,299	(406,299)	-	-
Total Support and Revenues	2,222,801	458,701	250,000	2,931,502
EXPENSES				
Program Services	1,653,630	-	-	1,653,630
Support Services:				
General and Administrative	185,900	-	-	185,900
Fundraising	362,149	-	-	362,149
Total Expenses	2,201,679	-	-	2,201,679
CHANGES IN NET ASSETS	21,122	458,701	250,000	729,823
Net Assets - Beginning of Year	(108,310)	399,594	-	291,284
NET ASSETS - END OF YEAR	$ (87,188)	$ 858,295	$ 250,000	$ 1,021,107

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 315,698	$ 155,300	$ -	$ 470,998
193,937	-	-	193,937
203,196	-	-	203,196
1,145,528	213,750	-	1,359,278
191,331	-	-	191,331
397,873	(397,873)	-	-
2,447,563	(28,823)	-	2,418,740
1,660,794	-	-	1,660,794
204,212	-	-	204,212
529,808	-	-	529,808
2,394,814	-	-	2,394,814
52,749	(28,823)	-	23,926
(161,059)	428,417	-	267,358
$ (108,310)	$ 399,594	$ -	$ 291,284

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	2017						
	Family Support	Youth Development	Education/ Awareness	Total Program	Management and General	Fundraising	Total
Program Expenses:							
Family Support Grants	$ 281,634	$ -	$ -	$ 281,634	$ -	$ -	$ 281,634
Experience Grant	54,306	-	-	54,306	-	-	54,306
Orange Envelope	114,500	-	-	114,500	-	-	114,500
Salaries	177,470	96,700	277,337	551,507	81,524	199,640	832,671
Employee Benefits	17,557	9,567	27,439	54,563	8,066	19,752	82,381
Payroll Taxes	14,662	7,989	22,912	45,563	6,735	16,493	68,791
Professional Fees	-	-	1,000	1,000	70,403	4,065	75,468
Advertising and Marketing	-	20,457	28,427	48,884	-	20,457	69,341
Bank Charges	4,006	-	-	4,006	-	31,818	35,824
Telephone and Technology	5,300	2,888	8,282	16,470	2,435	5,962	24,867
Interest	3,222	1,755	5,036	10,013	2,608	3,624	16,245
Insurance	2,704	1,473	4,226	8,403	1,242	3,042	12,687
Meeting Expenses	-	-	-	-	1,308	-	1,308
Travel	1,665	129	89	1,883	-	31,785	33,668
Postage and Freight	4,616	2,516	7,215	14,347	2,121	5,194	21,662
Office Supplies	3,853	2,099	6,021	11,973	1,770	4,334	18,077
Repairs and Maintenance	2,468	1,345	3,858	7,671	1,134	2,777	11,582
Payroll Processing Fees	968	527	1,512	3,007	445	1,089	4,541
Dues and Fees	1,736	946	2,712	5,394	797	1,952	8,143
Rent and Utilities	2,309	1,259	3,610	7,178	1,061	2,598	10,837
Training	723	394	1,131	2,248	332	814	3,394
Depreciation Expense	4,177	2,276	6,528	12,981	1,919	4,699	19,599
Program Events	134,560	74,323	181,539	390,422	-	-	390,422
Miscellaneous Expenses	1,827	995	2,855	5,677	2,000	2,054	9,731
Total Expenses	$ 834,263	$ 227,638	$ 591,729	$ 1,653,630	$ 185,900	$ 362,149	$ 2,201,679

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	2016						
	Family Support	Youth Development	Education/ Awareness	Total Program	Management and General	Fundraising	Total
Program Expenses:							
Family Support Grants	$ 376,662	$ -	$ -	$ 376,662	$ -	$ -	$ 376,662
Experience Grant	47,640	-	-	47,640	-	-	47,640
Orange Envelope	7,600	-	-	7,600	-	-	7,600
Salaries	166,128	161,122	261,487	588,737	104,664	231,352	924,753
Employee Benefits	17,580	17,050	27,671	62,301	11,076	24,482	97,859
Payroll Taxes	13,681	13,268	21,533	48,482	8,619	19,052	76,153
Professional Fees	-	-	27,219	27,219	26,681	117,632	171,532
Advertising and Marketing	3,517	-	57,581	61,098	253	20,322	81,673
Bank Charges	3,345	-	-	3,345	-	18,122	21,467
Telephone and Technology	3,960	3,840	6,232	14,032	2,494	5,514	22,040
Interest	263	248	405	916	19,775	1,775	22,466
Insurance	2,417	2,304	3,740	8,461	1,497	3,309	13,267
Meeting Expenses	-	-	-	-	1,489	602	2,091
Travel	2,731	-	365	3,096	111	46,839	50,046
Postage and Freight	3,308	3,208	5,206	11,722	2,084	4,606	18,412
Office Supplies	2,457	2,383	3,868	8,708	1,548	3,422	13,678
Repairs and Maintenance	1,964	1,904	3,090	6,958	1,237	2,734	10,929
Payroll Processing Fees	649	629	1,022	2,300	409	904	3,613
Dues and Fees	2,630	2,550	4,138	9,318	1,656	3,661	14,635
Rent and Utilities	1,549	1,502	2,438	5,489	976	2,157	8,622
Training	1,417	1,374	2,230	5,021	893	1,973	7,887
Bad Debts	-	-	-	-	-	-	-
Depreciation Expense	5,755	5,556	9,015	20,326	3,607	7,970	31,903
Program Events	111,310	66,786	127,360	305,456	-	-	305,456
Miscellaneous Expenses	15,640	8,064	12,203	35,907	15,143	13,380	64,430
Total Expenses	$ 792,203	$ 291,788	$ 576,803	$ 1,660,794	$ 204,212	$ 529,808	$ 2,394,814

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 729,823	$ 23,926
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	19,599	31,903
Debt Issuance Cost Amortization	1,413	1,412
Contributions restricted for long-term investment	(250,000)	-
(Increase) Decrease in Current Assets:		
Pledge Receivables	133,551	174,294
Prepaid Expenses and Other Assets	(47,636)	(14,814)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(80,737)	73,111
Accrued Expenses	(103,107)	(51,108)
Net Cash Provided by Operating Activities	402,906	238,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,152)	(7,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Capital Lease Obligation	(9,587)	(8,494)
Proceeds on Line of Credit	-	75,000
Payments on Line of Credit	-	(75,000)
Payments on Notes Payable	(63,496)	(81,824)
Net Cash Used by Financing Activities	(73,083)	(90,318)
NET INCREASE IN CASH AND CASH EQUIVALENTS	327,671	141,010
Cash and Cash Equivalents - Beginning of Year	233,398	92,388
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 561,069	$ 233,398
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 14,832	$ 21,665

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pinky Swear Foundation, formerly known as the Miracles of Mitch Foundation, (the Organization) was organized August 8, 2003 as a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code (IRC) and Minnesota state law. The Organization does not believe it has engaged in any activity that would threaten its exempt status. Contributions to the Organization are tax deductible within the limitations prescribed by the IRC.

Family Support

The hardships inflicted on families because of childhood cancer are often not quantifiable. The financial burden of increased expenses - often while income is decreased due to reduced work hours, lost jobs, or unpaid, extended leave - can be overwhelming. Pinky Swear Foundation's financial assistance and family experience programs provide immediate help and priceless stress relief to families in need. Since 2003, Pinky Swear Foundation has supported families' quality-of-life with direct financial aid for basic needs, and through experiences that create emotional support, including:

- **Home Rescue**: Rent and mortgage payments
- **Reliable Transportation**: Auto payments, repairs and gas cards
- **Groceries**: Food on the table for kids and families
- **Payments for Bills**: Utilities, child care, and other basic needs
- **Memorable experiences**: Worry-free, quality time together on weekend getaways and fun events
- **Convenient, Stocked Food Pantries in Hospitals:** Allows parents to stay with their sick child and reduce expenses

Youth Development

The exponential impact of the Pinky Swear story is fueled by the selfless act Mitch performed as a promise with his father. Pinky Swear encourages personal development of young leaders through goal setting and entrepreneurship, while helping kids with cancer. As ambassadors of Pinky Swear Foundation, youth learn about community service and leadership skills, and become change makers and advocates in their communities. The Pinky Swear Youth Leadership Councils, Playing for Pinky Swear, and other youth development activities embrace the servant-leadership mentality inspired by the original Pinky Swear.

- **Youth Leadership Council:** Engages kids by building peer-to-peer awareness while developing relevant skills to form impactful leaders in the community.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Youth Development (Continued)

- **Playing for Pinky Swear:** Provides an opportunity for youth groups and extra-curricular teams to adopt a child battling pediatric cancer, and to play and fundraise in honor of an All-Star (kid with cancer) throughout a season or period of time.

Education/Awareness

The financial and emotional impacts of a childhood cancer diagnosis on a family are tremendous and often overwhelming. Pinky Swear is passionately committed to increasing the awareness and understanding of childhood cancer and its impact on patient families through telling patient's stories. By sharing stories, videos, and trading cards featuring Pinky Swear All-Stars (kids with cancer), the financial and emotional hardships real families face becomes tangible and relatable. A mix of marketing channels including social media, web, email, advertising, television, and public relations are utilized to demonstrate the impact Pinky Swear has on our patient families and how to help. Through the education of the public and interested parties, Pinky Swear sheds light on the hard facts of childhood cancer:

- A child is diagnosed every 45 minutes
- Average age of diagnosis is 6 years old
- Average length of treatment is 2 years
- Average family spends 25% of its disposable income on nonmedical related expenses associated with the treatment of their child
- 1 in 11 families with a child diagnosed with cancer files for bankruptcy
- Childhood cancer is the leading cause of death by disease in children under the age of 15 in the U.S.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Support and revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Concentration of Risk

Cash Deposits In Excess of Federally Insured Limit

The Organization maintains cash balances at various financial institutions in Minnesota, which at times may exceed federally insured limits. The Organization has not experienced losses on these accounts, and management believes the Organization is not exposed to significant credit risks on cash and cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Risk (Continued)

Revenue Concentrations

For the year ended December 31, 2017, there were two donors that represented 41% of total support and revenues. For the year ended December 31, 2016, there was one donor that represented 17% of total support and revenues.

Pledges Receivable

For the year ended December 31, 2017, there was one donor that represented 100% of pledge receivables. For the year ended December 31, 2016, there was one donor that represented 95% of pledge receivables.

Financial Statement Presentations

Net assets and revenues are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control to carry out the purposes for which the organization exists.

Temporarily Restricted – Temporarily restricted amounts are those amounts whose use has been limited by donor-imposed time or purpose restrictions. When the funds have been spent as designated by the donor, the restrictions are satisfied and the funds are moved to unrestricted net assets.

Permanently Restricted – Permanently restricted net assets are those amounts required by donor-imposed restrictions or by law to be maintained by the Organization in perpetuity as endowments or irrevocable trusts.

Cash and Cash Equivalents

For purposes of statement of net asset presentation and reporting of cash flows, the Organization considers all demand deposits and highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

Pledges Receivable

Pledges receivable are recorded at fair value at the time of the gift. Conditional pledges are not included as support until such time as the conditions are substantially met. Pledges receivable that are expected to be collected in greater than one year are recorded at the present value of the amounts expected to be collected using a discount rate reflective of the market and conditions at the time of the gift. Amortization of the discount is included in contribution revenue. As of December 31, 2017 and 2016, all amounts are expected to be collected in one year. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for pledges when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the pledges are written off against the related allowance. At December 31, 2017 and 2016, an allowance was not warranted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or the estimated value on the date of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years for furniture and equipment, three years for website and 39 years for the building.

Revenue Recognition

Contribution income is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Restricted contributions that are fulfilled in the same time period are included in unrestricted net assets.

Donated Goods and Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period in which they were promised.

Several individuals volunteer their time and perform a variety of tasks that assist the Organization, but do not meet the criteria for recognition as contributed services and have not been reported in these financial statements.

Advertising and Marketing

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing costs charged to expense for the years ended December 31, 2017 and 2016 were $69,341 and $81,673, respectively.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 reporting period. Accordingly, actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act

During 2008, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of Minnesota. In August 2008, the FASB released the Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds in 2009 standard which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Income Taxes

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute and corresponding tax codes. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During the years ended December 31, 2017 and 2016, the Organization did not have any uncertain tax positions.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 13, 2018, the date the financial statements were available to be issued, and determined there are no other items to disclose.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment was as follows at December 31:

	2017	2016
Building	$ 451,452	$ 449,300
Furniture and Equipment	72,387	72,387
Website	21,449	21,449
Total Property and Equipment	545,288	543,136
Less: Accumulated Depreciation	134,316	114,717
Property and Equipment, Net	$ 410,972	$ 428,419

Depreciation expense was $19,599 and $31,903 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 CAPITAL LEASE OBLIGATIONS

During 2013, the Organization entered into a capital lease arrangement for computer software. The lease requires monthly rental payments of $874 through December 2018. The outstanding commitment as of December 31, 2017 was $10,992. The cost of the software recorded under the capital lease was $37,649. Interest expense was $2,003 and $3,106 for the years ended December 31, 2017 and 2016, respectively. Accumulated depreciation was $37,649 and $37,649 as of December 31, 2017 and 2016, respectively.

All of the lease payments are recorded as interest expense and principal reduction. Amortization expense is included in depreciation expense.

The future annual lease payments consist of the following:

Year Ending December 31,	Amount
2018	$ 11,826
Total	11,826
Less: Amount Representing Interest	834
Current Portion	10,992
Long-Term Portion	$ -

NOTE 4 DEBT

Line of Credit

The Organization has a $100,000 line of credit available with a bank. The line of credit has an interest rate of 1.45% over the index rate, but not lower than 5.70%. The line of credit matures in August 2018 and is secured by generally all assets of the Organization. The balance outstanding was $-0- as of December 31, 2017 and 2016.

Short-Term Note Payable

The Organization has an unsecured short-term note payable with interest at 4.71%. The note was originally due on December 15, 2014; however, the bank extended the maturity date to August 15, 2017 and again to December 15, 2018. Payment terms are $1,276 per month beginning in September 15, 2017 and continuing for 16 months through December 15, 2018. The balance outstanding was $14,922 and $27,939 as of December 31, 2017 and 2016, respectively.

NOTE 4 DEBT (CONTINUED)

Note Payable

Note payable consisted of the following at December 31:

Description	2017	2016
Note payable to bank, payments of principal and interest as follows: 59 payments of $3,429 beginning January 2014, five annual payments of $20,000 each in June 2015, December 2015, 2016, 2017, and 2018. A final balloon payment is due in December 2018. The note bears interest at 4.52% and is secured by mortgage on the related property.	$ 192,606	$ 243,228
Debt Issuance Costs	(1,295)	(2,708)
Total Notes Payable	191,311	240,520
Less: Current Portion of Notes Payable	191,311	50,625
Long-Term Notes Payable	$ -	$ 189,895

Future maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2018	$ 192,606
Total	$ 192,606

Interest expense on debt was $14,832 and $19,360 for the years ended December 31, 2017 and 2016, respectively.

The debt was issued December 2013 and the debt issuance costs are amortized over the life of the debt.

	2017	2016
Debt Issuance Costs	$ 7,064	$ 7,064
Less: Accumulated Amortization	5,769	4,356
Net Debt Issuance Costs	$ 1,295	$ 2,708

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or satisfying time expirations. Releases for the years ended December 31, 2017 and 2016 were $406,299 and $397,873, respectively.

Total temporarily restricted net assets consisted of the following as of December 31:

	2017	2016
Time	$ 525,000	$ 205,300
Family Assistance	333,295	194,294
Total	$ 858,295	$ 399,594

NOTE 6 ENDOWMENT

The Organization's endowment consists of a fund established to support programs and grants to families in Minnesota, Nebraska, and Illinois. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Objectives and Spending Policy

The Organization was awarded the endowment funds in December 2017, and due to this receipt late in the year, has not yet adopted an investment policy nor a spending policy for appropriation of earnings on the endowment. The board of directors has a request for proposals out for investment managers to assist with formulating these policies. As of December 31, 2017, the endowment funds were held in the Organization's savings account for restricted funds awaiting the selection of an investment manager with whom to transfer the funds.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization.

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Endowment Net Assets, January 1, 2017	$ -	$ -	$ -	$ -
Investment Return:				
Net Realized and Unrealized Gains	-	-	-	-
Investment Income	-	-	-	-
Total Investment Return	-	-	-	-
Contributions	-	-	250,000	250,000
Appropriations of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets, December 31, 2017	$ -	$ -	$ 250,000	$ 250,000

No board-designated endowments existed at December 31, 2017 and 2016.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Organization sponsors simple IRA and 457(b) retirement plan covering all employees meeting certain eligibility requirements. The Organization may make matching contributions to the plan at the discretion of the board of directors. Employer contributions to the plan were $17,015 and $24,495 during the years ended December 31, 2017 and 2016, respectively.

NOTE 8 DONATED GOODS AND SERVICES

The Organization receives various donated goods and services for the assistance given to families and different events organized by the Organization. The Organization records in-kind contributions at estimated fair market value at the date of donation and are classified in donated goods and services and special events in the accompanying financial statements and a corresponding expense/asset in the categories listed below.

These items would need to be purchased if not donated to the Organization for the years ended December 31, 2017 and 2016:

Category	2017	2016
Program - Family Support	$ 148,608	$ 148,556
Advertising and Marketing	-	590
Telephone and Technology	-	42,185
Program - Youth Leadership	1,500	-
Program - Education & Awareness	29,515	-
Inventory	56,105	-
Total	$ 235,728	$ 191,331
In-Kind Contributions Included in Special Events	$ 176,858	$ 133,788

NOTE 9 RELATED PARTIES

The Organization had related party transactions as follows for the years ended December 31:

	2017	2016
Support and Revenue from Related Individuals and Business Entities	$ 78,030	$ 60,732
Payments for Goods/Services to Business Entities Related to Board Members	$ 35,884	$ 86,139

NOTE 10 COMMITMENTS

During 2017, the Organization entered into two agreements to lease laptop computers and tablets. The first lease requires monthly rental payments of $252 through June 2020. The second lease requires monthly rental payments of $209 through June 2018. The outstanding commitment as of December 31, 2017 was $8,563.

During 2013, the Organization entered into an agreement to lease a copier and the term was extended in January 2018 for an additional 60 months. The lease requires monthly rental payments of $139 through December 2022. The outstanding commitment as of December 31, 2017 was $8,340.

NOTE 10 COMMITMENTS (CONTINUED)

The following is a schedule of future minimum lease payments due through the terms of these leases:

Year Ending December 31,	Amount
2018	$ 5,947
2019	4,692
2020	2,928
2021	1,668
2022	1,668
Total	$ 16,903