

PINKY SWEAR FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**PINKY SWEAR FOUNDATION
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinky Swear Foundation
Edina, Minnesota

We have audited the accompanying financial statements of Pinky Swear Foundation (the Organization) which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

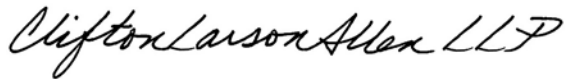
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, 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.

Emphasis of a Matter

During the year ended December 31, 2018, the Organization restated the 2017 financial statements due to a prior period misstatement to properly reflect and adjust for sponsorships and table sales for future years which were not properly reflected as deferred revenue or net assets with donor restrictions at year-end. See detail of the restatement in Note 11. Our auditors' opinion was not modified with respect to the restatement.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 25, 2019

**PINKY SWEAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	(Restated) 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 623,098	\$ 561,069
Pledge Receivables	68,738	25,000
Prepaid Expenses and Other Assets	73,385	90,311
Total Current Assets	765,221	676,380
OTHER ASSETS		
Endowment Funds	251,379	250,000
PROPERTY AND EQUIPMENT, NET		
	10,596	410,972
Total Assets	\$ 1,027,196	\$ 1,337,352
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 38,621	\$ 44,847
Accrued Expenses	59,550	54,173
Deferred Revenue	17,780	40,215
Short-Term Note Payable	-	14,922
Current Portion of Capital Lease Obligation	-	10,992
Current Maturities of Note Payable	-	191,311
Total Current Liabilities	115,951	356,460
NET ASSETS		
Without Donor Restrictions	71,743	(178,081)
With Donor Restrictions:		
Net Assets Restricted by Time or Purpose	589,502	908,973
Net Assets Held in Perpetuity	250,000	250,000
Total Net Assets	911,245	980,892
Total Liabilities and Net Assets	\$ 1,027,196	\$ 1,337,352

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			(Restated) 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total
SUPPORT AND REVENUES						
Contributions - Businesses	\$ 275,996	\$ 30,000	\$ 305,996	\$ 134,488	\$ 130,000	\$ 264,488
Contributions - Foundations	411,615	60,000	471,615	128,921	475,000	603,921
Contributions - Individuals	347,408	30,755	378,163	165,182	10,000	175,182
Special Events, Net of Direct Expenses of \$121,639 and \$242,742, Respectively	639,012	7,578	646,590	1,061,290	550,678	1,611,968
Donated Goods and Services	168,780	-	168,780	235,728	-	235,728
Gain on Sale of Property and Equipment	23,342	-	23,342	-	-	-
Investment Income	982	1,379	2,361	-	-	-
Released from Restriction	449,183	(449,183)	-	406,299	(406,299)	-
Total Support and Revenues	<u>2,316,318</u>	<u>(319,471)</u>	<u>1,996,847</u>	<u>2,131,908</u>	<u>759,379</u>	<u>2,891,287</u>
EXPENSES						
Program Services	1,549,422	-	1,549,422	1,653,630	-	1,653,630
Support Services:						
General and Administrative	156,238	-	156,238	185,900	-	185,900
Fundraising	360,834	-	360,834	362,149	-	362,149
Total Expenses	<u>2,066,494</u>	<u>-</u>	<u>2,066,494</u>	<u>2,201,679</u>	<u>-</u>	<u>2,201,679</u>
CHANGES IN NET ASSETS	249,824	(319,471)	(69,647)	(69,771)	759,379	689,608
Net Assets - Beginning of Year	<u>(178,081)</u>	<u>1,158,973</u>	<u>980,892</u>	<u>(108,310)</u>	<u>399,594</u>	<u>291,284</u>
NET ASSETS - END OF YEAR	<u>\$ 71,743</u>	<u>\$ 839,502</u>	<u>\$ 911,245</u>	<u>\$ (178,081)</u>	<u>\$ 1,158,973</u>	<u>\$ 980,892</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	2018						Total
	Family Support	Youth Development	Education/Awareness	Total Program	Management and General	Fundraising	
Program Expenses:							
Family Support Grants	\$ 336,439	\$ -	\$ -	\$ 336,439	\$ -	\$ -	\$ 336,439
Orange Envelope	147,950	-	-	147,950	-	-	147,950
Experience Grants	78,385	-	-	78,385	-	-	78,385
Salaries	248,301	63,226	202,804	514,331	66,437	154,085	734,853
Employee Benefits	29,984	7,635	24,491	62,110	8,023	18,607	88,740
Payroll Taxes	20,061	5,108	16,385	41,554	5,368	12,449	59,371
Program Events	12,164	48,655	136,500	197,319	-	-	197,319
Professional Fees	-	-	7,774	7,774	43,634	69,965	121,373
Advertising and Marketing	2,179	4,000	20,526	26,705	7,889	26,083	60,677
Telephone and Technology	11,515	3,900	14,300	29,715	3,807	7,336	40,858
Bank Charges	2,038	-	68	2,106	3,152	26,428	31,686
Travel	451	106	2,802	3,359	-	19,930	23,289
Office Supplies	6,459	2,188	8,022	16,669	2,136	4,115	22,920
Repairs and Maintenance	5,800	1,964	7,203	14,967	1,918	3,695	20,580
Dues and Fees	5,422	1,837	6,734	13,993	1,793	3,455	19,241
Rent and Utilities	4,288	1,452	5,325	11,065	1,418	2,732	15,215
Depreciation Expense	3,588	1,227	4,500	9,315	1,234	2,308	12,857
Postage and Freight	3,900	1,321	4,842	10,063	1,289	2,484	13,836
Insurance	3,189	1,080	3,960	8,229	1,054	2,031	11,314
Interest	2,540	860	3,156	6,556	2,983	1,619	11,158
Payroll Processing Fees	1,162	394	1,443	2,999	384	740	4,123
Meeting Expenses	-	-	-	-	1,178	-	1,178
Training	257	87	319	663	85	164	912
Special Event Expense	-	-	-	-	-	121,639	121,639
Miscellaneous Expenses	3,168	855	3,133	7,156	2,456	2,608	12,220
Subtotal	<u>929,240</u>	<u>145,895</u>	<u>474,287</u>	<u>1,549,422</u>	<u>156,238</u>	<u>482,473</u>	<u>2,188,133</u>
Special Event Expense	-	-	-	-	-	(121,639)	(121,639)
Total Expenses	<u>\$ 929,240</u>	<u>\$ 145,895</u>	<u>\$ 474,287</u>	<u>\$ 1,549,422</u>	<u>\$ 156,238</u>	<u>\$ 360,834</u>	<u>\$ 2,066,494</u>

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
Orange Envelope	54,306	-	-	54,306	-	-	54,306
Experience Grants	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
Program Events	134,560	74,323	181,539	390,422	-	-	390,422
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
Telephone and Technology	5,300	2,888	8,282	16,470	2,435	5,962	24,867
Bank Charges	4,006	-	-	4,006	-	31,818	35,824
Travel	1,665	129	89	1,883	-	31,785	33,668
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
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
Depreciation Expense	4,177	2,276	6,528	12,981	1,919	4,699	19,599
Postage and Freight	4,616	2,516	7,215	14,347	2,121	5,194	21,662
Insurance	2,704	1,473	4,226	8,403	1,242	3,042	12,687
Interest	3,222	1,755	5,036	10,013	2,608	3,624	16,245
Payroll Processing Fees	968	527	1,512	3,007	445	1,089	4,541
Meeting Expenses	-	-	-	-	1,308	-	1,308
Training	723	394	1,131	2,248	332	814	3,394
Special Event Expense	-	-	-	-	-	242,742	242,742
Miscellaneous Expenses	1,827	995	2,855	5,677	2,000	2,054	9,731
Subtotal	<u>834,263</u>	<u>227,638</u>	<u>591,729</u>	<u>1,653,630</u>	<u>185,900</u>	<u>604,891</u>	<u>2,444,421</u>
Special Event Expense	-	-	-	-	-	(242,742)	(242,742)
Total Expenses	<u>\$ 834,263</u>	<u>\$ 227,638</u>	<u>\$ 591,729</u>	<u>\$ 1,653,630</u>	<u>\$ 185,900</u>	<u>\$ 362,149</u>	<u>\$ 2,201,679</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (69,647)	\$ 689,608
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,857	19,599
Debt Issuance Cost Amortization	1,295	1,413
Gain on Sale of Property and Equipment	(23,342)	-
Contributions Restricted for Long-Term Investment	-	(250,000)
(Increase) Decrease in Current Assets:		
Pledge Receivables	(43,738)	133,551
Prepaid Expenses and Other Assets	16,926	(47,636)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(6,226)	(80,737)
Accrued Expenses	5,377	(103,107)
Deferred Revenue	(22,435)	40,215
Net Cash Provided (Used) by Operating Activities	<u>(128,933)</u>	<u>402,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Endowment Funds	(1,379)	(250,000)
Purchase of Property and Equipment	(8,012)	(2,152)
Proceeds from Sale of Property and Equipment	250,242	-
Net Cash Provided (Used) by Investing Activities	<u>240,851</u>	<u>(252,152)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	-	250,000
Payment on Capital Lease Obligation	(10,991)	(9,587)
Payments on Notes Payable	(38,898)	(63,496)
Net Cash Provided (Used) by Financing Activities	<u>(49,889)</u>	<u>176,917</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,029	327,671
Cash and Cash Equivalents - Beginning of Year	<u>561,069</u>	<u>233,398</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 623,098</u>	<u>\$ 561,069</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 9,922</u>	<u>\$ 14,835</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pinky Swear 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:

- **Stable Housing:** 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 as a family
- **Convenient, Stocked Food Pantries in Hospitals:** Allows parents/family members 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 9-year-old Mitch performed as a promise with his father. Pinky Swear Foundation 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. Pinky Swear Youth Leadership Councils (YLCs) 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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Education/Awareness

The financial and emotional impacts of a childhood cancer diagnosis on a family are tremendous and often overwhelming. Pinky Swear Foundation 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, photos, and videos featuring Pinky Swear All-Stars (kids with cancer), the financial and emotional hardships real families face become tangible and relatable. A mix of communication channels including social media, website, email, advertising, public speaking engagements, and public relations are utilized to demonstrate the impact Pinky Swear Foundation has on our All-Star families and how others are able to help.

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.

Revenue Concentrations

For the year ended December 31, 2018, there was one donor that represented 15% of total support and revenues. For the year ended December 31, 2017, there were two donors that represented 41% of total support and revenues.

Pledges Receivable

For the year ended December 31, 2018, there were two donors that represented 92% of pledge receivables. For the year ended December 31, 2017, there was one donor that represented 100% of pledge receivables.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentations

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

Net Assets Without Donor Restrictions – Resources that are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the Organization or the passage of time; or b) require that they be maintained in perpetuity by the Organization; generally, the donors of these assets permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018 and 2017, 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, 2018 and 2017, an allowance was not warranted.

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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists of revenue received in advance of the period in which it is earned. Deferred revenue consists primarily of sponsorships received in advance for future special events.

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 net assets without donor restrictions.

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, 2018 and 2017 were \$60,677 and \$69,341, 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 salary allocations and 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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization has a tax-exempt status under Section 501(c)(3) of the IRC 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, 2018 and 2017, the Organization did not have any uncertain tax positions.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net assets or the change in net assets.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 25, 2019, the date the financial statements were available to be issued, and determined there are no other items to disclose.

NOTE 2 LIQUIDITY

Pinky Swear Foundation received donations to help support its mission of supporting families with children battling cancer both financially and emotionally. The Organization received funds that are not subject to donor-imposed restrictions and others that are subject to donor-imposed restrictions either temporarily or in perpetuity.

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. If there is a short fall in liquidity, the Organization has a line of credit of \$100,000. A balanced annual budget is reviewed and approved by the board of directors annually. The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 LIQUIDITY (CONTINUED)

The table below presents liquid financial assets available for general expenditures within one year at December 31, 2018:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 623,098
Pledges Receivable Within One Year	68,738
Liquid Financial Assets Available To Meet General Expenditures Within One Year	<u>691,836</u>
Less Those Unavailable for General Expenditures Within One Year, Due to Contractual or Donor-Imposed Time or Purpose Restrictions	
	<u>(481,924)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year:	<u><u>\$ 209,912</u></u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment was as follows at December 31:

	2018	2017
Building and Improvements	\$ 3,335	\$ 451,452
Furniture and Equipment	66,130	72,387
Website	21,449	21,449
Total Property and Equipment	<u>90,914</u>	<u>545,288</u>
Less: Accumulated Depreciation	<u>80,318</u>	<u>134,316</u>
Property and Equipment, Net	<u><u>\$ 10,596</u></u>	<u><u>\$ 410,972</u></u>

Depreciation expense was \$12,857 and \$19,599 for the years ended December 31, 2018 and 2017, respectively.

NOTE 4 CAPITAL LEASE OBLIGATIONS

During 2013, the Organization entered into a capital lease arrangement for computer software. The lease required monthly rental payments of \$874 through December 2018. The lease was paid off during 2018. The cost of the software recorded under the capital lease was \$42,585. Interest expense was \$484 and \$2,216 for the years ended December 31, 2018 and 2017, respectively. Accumulated depreciation was \$42,585 as of December 31, 2018 and 2017, respectively.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 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 4.70%. The line of credit matures in August 2019 and is secured by generally all assets of the Organization. The balance outstanding was \$-0- as of December 31, 2018 and 2017.

Short-Term Note Payable

The Organization had 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 were \$1,276 per month beginning in September 15, 2017 and continuing for 16 months through December 15, 2018. This note payable was paid off in 2018 with the sale of the Organization's building. The balance outstanding was \$-0- and \$14,922 as of December 31, 2018 and 2017, respectively.

Note Payable

The Organization had a secured long-term note payable with an interest rate of 4.52%. The note was payable in 59 payments of \$3,429 beginning January 2014, five annual payments of \$20,000 each in June 2015, December 2015, 2016, 2017, and 2018 with a final balloon payment due in December 2018. This note payable was paid off in 2018 with the sale of the Organization's building. The note was secured by mortgage on the related property. The balance outstanding was \$-0- and \$191,311 as of December 31, 2018 and 2017, respectively

Interest expense on debt was \$7,296 and \$14,832 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Total net assets with donor restrictions consisted of the following as of December 31:

	2018	2017
Restricted by Passage of Time	\$ 407,578	\$ 575,678
Restricted for Family Assistance Programs	181,924	333,295
Restricted Endowment Held in Perpetuity	250,000	250,000
Total	\$ 839,502	\$ 1,158,973

Net assets were released from donor restrictions as expenses were incurred satisfying the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended December 31:

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NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2018	2017
Restricted by Passage of Time	\$ 175,678	\$ 205,300
Restricted for Family Assistance Programs	273,505	200,999
Total	\$ 449,183	\$ 406,299

NOTE 7 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 adopted an investment and spending policy in January 2019 for the endowment. The investment objective of the endowment fund is to achieve a total return (income and appreciation) of 5% after inflation and fees over a full market cycle of three to five years. Each year, the Organization is authorized to draw up to 5% of the total market value of the endowment account for the Organization's operating purposes and must be in accordance with any donor restrictions. The spending percentage is calculated as 5% of the 16-quarter rolling average, using prior quarterly statements up through six months prior to the start of the budget year.

At December 31, 2018, the Organization held the endowment funds balance of \$251,379 in cash and cash equivalents and had not yet invested these funds, pending the approval of its new investment and spending policy.

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 net assets with donor restrictions 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 net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Organization.

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NOTE 7 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:

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Endowment Net Assets, January 1, 2018	\$ -	\$ 250,000	\$ 250,000
Investment Return:			
Net Realized and Unrealized Gains	-	-	-
Investment Income	-	1,379	1,379
Total Investment Return	-	1,379	1,379
Contributions	-	-	-
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets, December 31, 2018	<u>\$ -</u>	<u>\$ 251,379</u>	<u>\$ 251,379</u>
	Without Donor Restrictions	With Donor Restrictions	2017 Total
Endowment Net Assets, January 1, 2017	\$ -	\$ -	\$ -
Investment Return:			
Net Realized and Unrealized Losses	-	-	-
Investment Income	-	-	-
Total Investment Return	-	-	-
Contributions	-	250,000	250,000
Appropriations of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets, December 31, 2017	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

No board-designated endowments existed at December 31, 2018 and 2017.

**PINKY SWEAR FOUNDATION
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NOTE 8 EMPLOYEE BENEFIT PLAN

The Organization sponsors Simple IRA 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 \$17,079 and \$17,015 during the years ended December 31, 2018 and 2017, respectively.

NOTE 9 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:

<u>Category</u>	<u>2018</u>	<u>2017</u>
Program - Family Support	\$ 139,665	\$ 148,608
Fundraising	1,000	-
Administration	18,611	-
Program - Youth Leadership	-	1,500
Program - Education and Awareness	-	29,515
Inventory	9,504	56,105
Total	<u>\$ 168,780</u>	<u>\$ 235,728</u>
 In-Kind Contributions Included in Special Events	 <u>\$ 10,034</u>	 <u>\$ 176,858</u>

NOTE 10 RELATED PARTIES

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

	<u>2018</u>	<u>2017</u>
Support and Revenue from Related Individuals and Business Entities	<u>\$ 65,387</u>	<u>\$ 78,030</u>
Payments for Goods/Services to Business Entities Related to Board Members	<u>\$ 22,722</u>	<u>\$ 35,884</u>

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NOTE 11 RESTATEMENT

During the year ended December 31, 2018, the Organization restated the 2017 financial statements due to a prior period misstatement to properly reflect and adjust for sponsorships and table sales for future years which were not properly reflected as deferred revenue or net assets with donor restrictions at year-end. The restatement reduced special event revenue on the statements of activities for 2017 by \$40,215 and increased deferred revenue on the statement of financial position as of December 31, 2017 by the same amount. In addition, special event revenue of \$50,678 was reclassified and restated from without donor restrictions to with donor restrictions due to restrictions for time for the year ending December 31, 2017. This restatement resulted in a decrease in net assets without restriction of \$90,893, and increase in net assets with restrictions by \$50,678 and a decrease in changes in net assets of \$40,215.

NOTE 12 COMMITMENTS

Leases

During 2017, the Organization entered into an agreement to lease laptop computers and tablets. The lease requires monthly rental payments of \$252 through June 2020. The outstanding commitment as of December 31, 2018 was \$4,284.

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, 2018 was \$6,672.

During 2018, the Organization entered into a 42-month lease for office space, commencing October 15, 2018 through March 31, 2022. The lease has escalating rent payments beginning with monthly payments of \$3,359 and increasing up to monthly payments of \$3,876. The outstanding commitment as of December 31, 2018 was \$139,264.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 45,170
2020	45,474
2021	46,281
2022	13,295
Total	<u>\$ 150,220</u>