

Spare Key

Financial Statements and Independent Auditor's Report

December 31, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spare Key

We have audited the accompanying financial statements of Spare Key (a Minnesota nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditor's 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 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 Spare Key as of December 31, 2016 and 2015, 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.

Bomberg, Hanson & Associates, LLC

Minneapolis, Minnesota
October 12, 2017

**Spare Key
Statements of Financial Position
December 31, 2016 and 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 296,356	\$ 251,357
Prepaid Expenses	23,820	38,232
Total Current Assets	320,176	289,589
OFFICE EQUIPMENT		
Office Equipment	21,136	21,136
Less Accumulated Depreciation	(7,874)	(4,453)
Office Equipment, net	13,262	16,683
OTHER ASSETS		
	3,127	-
Total Assets	\$ 336,565	\$ 306,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,173	\$ 25,968
Accrued Liabilities	2,815	598
Deferred Revenue	124,238	96,360
Total Current Liabilities	139,226	122,926
NET ASSETS		
Unrestricted	197,339	137,402
Temporarily Restricted	-	45,944
Total Net Assets	197,339	183,346
Total Liabilities and Net Assets	\$ 336,565	\$ 306,272

The accompanying notes are an integral part of these financial statements.

Spare Key
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Contributions	\$ 645,879	\$ -	\$ 645,879	\$ 595,237	\$ 45,944	\$ 641,181
Special Events	516,141	-	516,141	384,244	-	384,244
Other	620	-	620	296	-	296
Total Revenue	1,162,640	-	1,162,640	979,777	45,944	1,025,721
EXPENSES						
Mortgage Assistance	805,843	-	805,843	684,545	-	684,545
Special Events	256,720	-	256,720	157,461	-	157,461
Fundraising	60,471	-	60,471	113,642	-	113,642
Management and General	25,613	-	25,613	22,750	-	22,750
Total Expenses	1,148,647	-	1,148,647	978,398	-	978,398
Excess of Revenues over Expenses	13,993	-	13,993	1,379	45,944	47,323
Net Assets Released from Restriction	45,944	(45,944)	-	14,792	(14,792)	-
Change in Net Assets	59,937	(45,944)	13,993	16,171	31,152	47,323
Net Assets, Beginning of Year	137,402	45,944	183,346	121,231	14,792	136,023
Net Assets, End of Year	\$ 197,339	\$ -	\$ 197,339	\$ 137,402	\$ 45,944	\$ 183,346

The accompanying notes are an integral part of these financial statements.

Spare Key
Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 231,336	\$ 14,459	\$ 28,917	\$ 14,459	\$ 289,171
Payroll Taxes and Benefits	56,926	3,558	7,116	3,558	71,158
Total Personnel Costs	<u>288,262</u>	<u>18,017</u>	<u>36,033</u>	<u>18,017</u>	<u>360,329</u>
Program Costs	297,010	231,118	-	-	528,128
Professional Fees, Consultants and Contract Labor	38,690	250	16,368	449	55,757
Utilities	5,358	670	268	402	6,698
Depreciation	1,881	342	616	582	3,421
Insurance	1,743	-	-	-	1,743
Printing and Postage	72,503	1,250	314	584	74,652
Advertising	5,779	1,529	655	-	7,963
Rent	31,899	353	177	353	32,782
Meals and Travel	19,808	2,395	706	3,596	26,505
Bank and Credit Card Processing Fees	-	-	3,220	-	3,220
Office Supplies	4,710	-	-	831	5,541
Other	38,200	796	2,114	799	41,909
	<u>\$ 805,843</u>	<u>\$ 256,720</u>	<u>\$ 60,471</u>	<u>\$ 25,613</u>	<u>\$ 1,148,647</u>

The accompanying notes are an integral part of these financial statements.

Spare Key
Statement of Functional Expenses
Year Ended December 31, 2015

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 183,419	\$ 12,228	\$ 36,684	\$ 12,228	\$ 244,559
Payroll Taxes and Benefits	47,499	3,167	9,500	3,167	63,333
Total Personnel Costs	<u>230,918</u>	<u>15,395</u>	<u>46,184</u>	<u>15,395</u>	<u>307,892</u>
Program Costs	265,424	126,472	-	-	391,896
Professional Fees, Consultants and Contract Labor	46,460	5,796	48,448	1,476	102,180
Utilities	3,755	492	136	533	4,916
Depreciation	218	40	71	67	396
Insurance	1,697	-	-	-	1,697
Printing and Postage	39,055	2,246	8,403	805	50,509
Advertising	28,161	3,492	1,943	-	33,596
Rent	26,332	508	254	508	27,602
Meals and Travel	8,668	97	1,258	1,100	11,123
Bank and Credit Card Processing Fees	563	2,253	3,818	-	6,634
Office Supplies	4,495	-	-	793	5,288
Other	28,799	670	3,127	2,073	34,669
	<u>\$ 684,545</u>	<u>\$ 157,461</u>	<u>\$ 113,642</u>	<u>\$ 22,750</u>	<u>\$ 978,398</u>

The accompanying notes are an integral part of these financial statements.

Spare Key
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 13,993	\$ 47,323
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	3,421	396
Change in Operating Assets and Liabilities:		
Prepaid Expenses and Other	11,285	(26,462)
Accounts Payable	(13,795)	19,950
Accrued Liabilities	2,217	(2,982)
Deferred Revenue	27,878	54,610
Net Cash Provided by Operating Activities	<u>44,999</u>	<u>92,835</u>
 Cash Flows from Investing Activities:		
Purchase of Office Equipment	<u>-</u>	<u>(16,494)</u>
 Change in Cash	44,999	76,341
 Cash at Beginning of Year	<u>251,357</u>	<u>175,016</u>
 Cash at End of Year	<u><u>\$ 296,356</u></u>	<u><u>\$ 251,357</u></u>

Spare Key
Notes To Financial Statements
December 31, 2016 and 2015

1. Organization

Spare Key (the Organization) was incorporated on September 10, 1997 as a Minnesota nonprofit corporation. Spare Key provides assistance to homeowners with a critically ill or seriously injured child by making mortgage payments on the family's behalf, allowing them to spend time with their child. The Organization has administrative offices in Minnesota and provides mortgage and rent payments primarily in Minnesota, North Dakota, South Dakota, and Wisconsin.

2. Summary of Significant Accounting Policies

Classes of Net Assets

The net assets of the Organization are segregated into two classes:

Unrestricted – This class of net assets includes resources which the Board of Directors has discretion to use in carrying out the Organization's operations.

Temporarily Restricted – This class of net assets includes resources whose use by the Organization is limited by donor restrictions related to time period or specified purpose.

Cash

For purposes of the statement of cash flows, the Organization considers investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at two financial institutions located in Minneapolis, Minnesota. At times, such balances may be in excess of Federal Deposit Insurance Corporation limits.

Office Equipment

Office equipment is recorded at cost or, in the case of contributed property, at fair value at the date of contribution. Expenditures for replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed as incurred. At the time assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the Statement of Activities.

Office equipment is depreciated using the straight-line method over lives of three to seven years.

Spare Key
Notes To Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged.

Contributions that are temporarily restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily-restricted net assets in the period in which the donation occurs. When the restriction expires, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Special Events

Revenues received at the time special events are conducted are recognized at the time of contribution. Revenues received for sponsorship of special events in advance of the event's occurrence are deferred and recognized at the time the related event is conducted.

Donated Services, Materials and Equipment

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. In 2016 the Organization received in-kind donations totaling \$148,500 including donated materials of \$55,000 and donated specialized services of \$93,500. In 2015 the Organization received in-kind donations totaling \$90,500 including donated advertising of \$12,500, donated materials of \$40,000 and donated specialized services of \$38,000.

Functional Expenses

Expenses incurred in providing programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Salaries and related expenses are allocated among the program and supporting activities categories based upon the actual time expended by the employees in those categories. Other costs are allocated according to management's estimates or on a direct basis.

Spare Key
Notes To Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred and totaled \$7,963 and \$33,596 in 2016 and 2015.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and similar state statutes.

Fair Values of Financial Instruments

Due to their short term nature, the carrying values of the Organization's current financial assets and liabilities approximate their fair value.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Temporarily-Restricted Net Assets

There were no temporarily-restricted net assets at December 31, 2016. At December 31, 2015, such net assets consisted of \$45,944 restricted for mortgage payments to Twin Cities Metro Area recipients.

4. Operating Leases

The Organization conducts its operations in facilities leased under an operating lease expiring in May 2021. Rent expense for leased facilities was \$29,251 and \$22,525 in 2016 and 2015.

Spare Key
Notes To Financial Statements
December 31, 2016 and 2015

4. Operating Leases (continued)

Future minimum required payments under the lease are as follows for the years ended December 31:

2017	\$ 13,303
2018	13,966
2019	14,440
2020	14,440
2021	<u>6,017</u>
	<u><u>62,166</u></u>

5. Subsequent Events

Subsequent events through October 12, 2017, the date the financial statements were available for issuance, have been considered for recording or disclosure in these financial statements. There were no material subsequent events requiring recognition or disclosure in these financial statements.