Spare Key

Financial Statements and Independent Auditor's Report

December 31, 2017 and 2016

Bomberg Hanson & Associates LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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Bomberg
Hanson &
Associates LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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, 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.

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.

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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, 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.

Bomberg, Hanson & Associates, LLC

Minneapolis, Minnesota
October 1, 2018

Spare Key
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 193,370	$ 296,356
Prepaid Expenses	18,679	23,820
Total Current Assets	212,049	320,176
PROPERTY AND EQUIPMENT		
Office Equipment	36,755	21,136
Vehicles	58,700	-
Less Accumulated Depreciation	(24,293)	(7,874)
Property and Equipment, net	71,162	13,262
OTHER ASSETS	3,127	3,127
Total Assets	$ 286,338	$ 336,565
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 6,303	$ 12,173
Accrued Liabilities	4,345	2,815
Deferred Revenue	72,270	124,238
Total Current Liabilities	82,918	139,226
NET ASSETS		
Unrestricted	203,420	197,339
Temporarily Restricted	-	-
Total Net Assets	203,420	197,339
Total Liabilities and Net Assets	$ 286,338	$ 336,565

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Contributions	$ 662,533	$ -	$ 662,533	$ 645,879	$ -	$ 645,879
Special Events	728,889	-	728,889	516,141	-	516,141
Other	588	-	588	620	-	620
Total Revenue	1,392,010	-	1,392,010	1,162,640	-	1,162,640
EXPENSES						
Mortgage Assistance	1,059,689	-	1,059,689	805,843	-	805,843
Special Events	227,488	-	227,488	256,720	-	256,720
Fundraising	66,544	-	66,544	60,471	-	60,471
Management and General	32,208	-	32,208	25,613	-	25,613
Total Expenses	1,385,929	-	1,385,929	1,148,647	-	1,148,647
Excess of Revenues over Expenses	6,081	-	6,081	13,993	-	13,993
Net Assets Released from Restriction	-	-	-	45,944	(45,944)	-
Change in Net Assets	6,081	-	6,081	59,937	(45,944)	13,993
Net Assets, Beginning of Year	197,339	-	197,339	137,402	45,944	183,346
Net Assets, End of Year	$ 203,420	$ -	$ 203,420	$ 197,339	$ -	$ 197,339

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

Spare Key
Statement of Functional Expenses
Year Ended December 31, 2017

	Mortgage Assistance	Special Events	Fundraising	Administration	Total
Salaries	$ 242,786	$ 15,174	$ 30,348	$ 15,174	$ 303,482
Payroll Taxes and Benefits	47,955	2,997	5,994	2,997	59,943
Total Personnel Costs	290,741	18,171	36,342	18,171	363,425
Program Costs	540,434	198,756	-	-	739,190
Professional Fees, Consultants and Contract Labor	44,324	765	9,971	1,027	56,087
Utilities	5,164	646	197	448	6,455
Depreciation	9,030	1,643	2,955	2,791	16,419
Insurance	2,814	2,814	-	-	5,628
Printing and Postage	81,631	727	251	502	83,111
Advertising	785	549	235	-	1,569
Rent	45,779	669	334	669	47,451
Meals and Travel	12,958	907	1,722	1,599	17,186
Bank and Credit Card Processing Fees	5,181	-	12,091	-	17,272
Office Supplies	2,458	-	-	641	3,099
Other	18,390	1,841	2,446	6,360	29,037
	$ 1,059,689	$ 227,488	$ 66,544	$ 32,208	$ 1,385,929

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

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

	Mortgage Assistance	Special Events	Fundraising	Administration	Total
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	288,262	18,017	36,033	18,017	360,329
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	74,651
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
	$ 805,843	$ 256,720	$ 60,471	$ 25,613	$ 1,148,647

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

Spare Key
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in Net Assets	$ 6,081	$ 13,993
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	16,419	3,421
Donated Vehicle Included in Contributions	(58,700)	-
Change in Operating Assets and Liabilities:		
Prepaid Expenses and Other	5,141	11,285
Accounts Payable	(5,870)	(13,795)
Accrued Liabilities	1,530	2,217
Deferred Revenue	(51,968)	27,878
Net Cash Provided by (Used in) Operating Activities	(87,367)	44,999
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(15,619)	-
Change in Cash	(102,986)	44,999
Cash at Beginning of Year	296,356	251,357
Cash at End of Year	$ 193,370	$ 296,356

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. Direct mortgage assistance payments totaled $413,113 and $253,421 for the years ended December 31, 2017 and 2016. The Organization has administrative offices in Minnesota and provides mortgage payments primarily in Minnesota, as well as 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. Temporarily restricted net assets are released into unrestricted net assets upon satisfaction of the restriction, either through passage of time or purpose fulfillment.

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.

Property and Equipment

Property and 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.

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions are recognized as revenue when 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 2017, the Organization received in-kind donations totaling $201,200 including donated materials of $77,500, donated specialized services of $65,000 and a donated vehicle of $58,700. In 2016 the Organization received in-kind donations totaling $148,500 including donated materials of $55,000 and donated specialized services of $93,500.

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.

Advertising

Advertising costs are expensed as incurred and totaled $1,569 and $7,963 in 2017 and 2016.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

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

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.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), with the stated purpose of improving financial reporting by not-for-profit entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. The new guidance is effective for the Organization's year ending December 31, 2018. Management is currently assessing the potential effects of this standard on the Organization's financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"), which will supersede the current lease requirements prescribed by the FASB. ASU 2016-02 requires lessees to recognize a right of use asset and related lease liability for all leases, with limited exeption. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. The reporting of lease-related expenses in the statements of activities and cash flows will generally be consistent with current guidance. The provisions of ASU 2016-02 will be effective for the Organization's year ended December 31, 2020 and may be applied using a modified retrospective transition method to the beginning of the earliest period presented. Management is currently assessing the potential effects of this standard on the Organization's financial statements.

3. Temporarily-Restricted Net Assets

There were no temporarily-restricted net assets at December 31, 2017 or 2016. During the year ended December 31, 2016, $45,944 of net assets restricted for mortgage payments to Twin Cities Metro Area recipients were released to unrestricted net assets.

4. Operating Leases

The Organization conducts its operations in facilities leased under an operating lease expiring in May 2021. The Organization is responsible for base monthly rent and a share of operating expenses and real estate taxes. Such expenses for leased facilities totaled $40,763 and $29,251 in 2017 and 2016. Future minimum required payments under the lease are as follows for the years ended December 31:

2018	13,966
2019	14,440
2020	14,440
2021	6,017
	48,863

5. Subsequent Events

Subsequent events through October 1 2018, 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.