

Spare Key

Financial Statements and Independent Auditor's Report

December 31, 2018 and 2017



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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, 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.

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, 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.

Bomberg, Hanson & Associates, LLC

Minneapolis, Minnesota
October 2, 2019

Spare Key
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 513,395	\$ 193,370
Prepaid Expenses and Other Current Assets	15,565	18,679
Total Current Assets	528,960	212,049
PROPERTY AND EQUIPMENT		
Office Equipment	36,755	36,755
Vehicles	58,700	58,700
Less: Accumulated Depreciation	(44,654)	(24,293)
Property and Equipment, Net	50,801	71,162
OTHER ASSETS		
	3,127	3,127
Total Assets	\$ 582,888	\$ 286,338
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 16,146	\$ 6,303
Accrued Liabilities	3,682	4,345
Deferred Revenue	92,750	72,270
Total Current Liabilities	112,578	82,918
NET ASSETS		
Without Donor Restrictions	470,310	203,420
With Donor Restrictions	-	-
Total Net Assets	470,310	203,420
Total Liabilities and Net Assets	\$ 582,888	\$ 286,338

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, 2018 and 2017

	2018			2017		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUE						
Contributions	\$ 793,983	\$ -	\$ 793,983	\$ 662,533	\$ -	\$ 662,533
Special Events	673,315	-	673,315	728,889	-	728,889
Other	155	-	155	588	-	588
Total Revenue	1,467,453	-	1,467,453	1,392,010	-	1,392,010
EXPENSES						
Mortgage Assistance	861,945	-	861,945	1,059,689	-	1,059,689
Special Events	247,927	-	247,927	227,488	-	227,488
Fundraising	62,647	-	62,647	66,544	-	66,544
Management and General	28,044	-	28,044	32,208	-	32,208
Total Expenses	1,200,563	-	1,200,563	1,385,929	-	1,385,929
Excess of Revenues over Expenses	266,890	-	266,890	6,081	-	6,081
Net Assets Released from Restriction	-	-	-	-	-	-
Change in Net Assets	266,890	-	266,890	6,081	-	6,081
Net Assets, Beginning of Year	203,420	-	203,420	197,339	-	197,339
Net Assets, End of Year	<u>\$ 470,310</u>	<u>\$ -</u>	<u>\$ 470,310</u>	<u>\$ 203,420</u>	<u>\$ -</u>	<u>\$ 203,420</u>

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

Spare Key
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 202,442	\$ 12,653	\$ 25,305	\$ 12,653	\$ 253,053
Payroll Taxes and Benefits	43,134	2,696	5,392	2,696	53,918
Total Personnel Costs	<u>245,576</u>	<u>15,349</u>	<u>30,697</u>	<u>15,349</u>	<u>306,971</u>
Program Costs	401,331	206,758	70	70	608,229
Professional Fees, Consultants, and Contract Labor	54,780	2,377	7,860	720	65,737
Utilities	5,267	658	224	434	6,583
Depreciation	11,199	2,036	3,665	3,461	20,361
Insurance	2,528	2,528	-	-	5,056
Printing and Postage	40,262	7,747	218	436	48,663
Advertising	6,123	4,232	1,814	-	12,169
Rent	47,637	803	401	803	49,644
Meals and Travel	19,550	981	4,026	2,148	26,705
Bank and Credit Card Processing Fees	5,302	-	12,371	-	17,673
Office Supplies	4,310	-	-	1,094	5,404
Other	18,080	4,458	1,301	3,529	27,368
	<u>\$ 861,945</u>	<u>\$ 247,927</u>	<u>\$ 62,647</u>	<u>\$ 28,044</u>	<u>\$ 1,200,563</u>

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

Spare Key
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
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	<u>290,741</u>	<u>18,171</u>	<u>36,342</u>	<u>18,171</u>	<u>363,425</u>
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
	<u>\$ 1,059,689</u>	<u>\$ 227,488</u>	<u>\$ 66,544</u>	<u>\$ 32,208</u>	<u>\$ 1,385,929</u>

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

Spare Key
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 266,890	\$ 6,081
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	20,361	16,419
Donated Vehicle Included in Contributions	-	(58,700)
Change in Operating Assets and Liabilities:		
Prepaid Expenses and Other	3,114	5,141
Accounts Payable	9,843	(5,870)
Accrued Liabilities	(663)	1,530
Deferred Revenue	20,480	(51,968)
Net Cash Provided by (Used in) Operating Activities	320,025	(87,367)
 Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(15,619)
 Change in Cash	320,025	(102,986)
 Cash at Beginning of Year	193,370	296,356
 Cash at End of Year	\$ 513,395	\$ 193,370

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

Spare Key
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 \$264,147 and \$413,113 for the years ended December 31, 2018 and 2017. 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

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.

Classes of Net Assets

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

Net Assets without Donor Restrictions – This class includes resources which the Board of Directors has discretion to use in carrying out the Organization’s operations.

Net Assets with Donor Restrictions – This class includes resources whose use by the Organization is limited by donor restrictions related to a time period or specified purpose. Net assets with donor restrictions are released into net assets without donor restrictions upon satisfaction of the restriction, either through passage of time or purpose fulfillment.

Spare Key
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions are recognized as revenue when received or unconditionally pledged. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. A promise to give that requires a minimum matching contribution is not recognized until the match is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions in the period in which the donation occurs. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction.

Special Events

Revenues received at special events 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, and donated services that create or enhance non-financial assets, or require specialized skills and would need to be purchased if not donated, are recorded at fair value in the period received. In 2018, the Organization received in-kind donations totaling \$109,500 including donated materials of \$35,000 and donated specialized services of \$74,500. 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.

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 \$12,168 and \$1,569 in 2018 and 2017.

Spare Key
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, includes qualitative and quantitative disclosures for net asset classes and liquidity, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. The Organization adopted this ASU effective January 1, 2018 and applied retrospectively to all periods presented, which resulted in no change to the total previously reported net assets, with the exception of the liquidity footnote, which has only been presented for 2018.

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 exceptions. 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. Net Assets with Donor Restrictions

There were no net assets with donor restrictions at December 31, 2018 and 2017.

Spare Key
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

4. Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs. Donors may impose restrictions on donations, which the Organization takes full responsibility to honor by not allowing those funds to be available for general expenditures. There were no donor-imposed restrictions outstanding as of December 31, 2018 and 2017. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Financial assets in excess of daily cash requirements are kept in the Organization's bank account to help cover event expenses not covered by donations and to continue providing future mortgage payment assistance.

Spare Key's only financial asset as of December 31, 2018 is cash, which has a balance of \$513,395 at year-end. This cash is available to meet cash needs for general expenditures within one year. An expenditure is considered to be general if it would be incurred as part of normal operations.

5. 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 \$41,617 and \$40,763 in 2018 and 2017. Future minimum required payments under the lease are as follows for the years ended December 31:

2019	14,440
2020	14,440
2021	<u>6,017</u>
	<u><u>34,897</u></u>

6. Subsequent Events

Subsequent events through October 2, 2019, 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.