



*Financial Statements and
Independent Auditor's Report*

December 31, 2019 and 2018

December 31, 2019 and 2018

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Financial Statements

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Independent Auditor's Report

To the Board of Directors
Spare Key
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Spare Key, a Minnesota Non-Profit Corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Spare Key as of December 31, 2018, were audited by other auditors whose report dated October 2, 2019, expressed an unmodified opinion on those statements.

Wilkinson, Lithman & Johnson, Ltd.

Saint Paul, Minnesota
August 28, 2020

Spare Key

Statements of Financial Position

| <i>As of December 31,</i> | 2019 | 2018 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current | | |
| Cash and Cash Equivalents | \$ 509,242 | \$ 513,395 |
| Accounts Receivable—Related Party | 1,032 | 1,032 |
| Prepaid Expenses | 30,908 | 14,533 |
| Total Current Assets | <u>541,182</u> | <u>528,960</u> |
| Land, Buildings and Equipment | | |
| Land, Buildings and Equipment, Net | 30,450 | 50,801 |
| Other | | |
| Security Deposit | 3,127 | 3,127 |
| Total Assets | \$ 574,759 | \$ 582,888 |
| LIABILITIES AND NET ASSETS | | |
| Current | | |
| Accounts Payable | \$ 10,247 | \$ 16,146 |
| Accrued Expenses | 5,972 | 3,682 |
| Deferred Revenue | 111,200 | 92,750 |
| Total Current Liabilities | <u>127,419</u> | <u>112,578</u> |
| Net Assets | | |
| Net Assets Without Donor Restrictions | 422,340 | 470,310 |
| Net Assets With Donor Restrictions: | | |
| Purpose Restricted | <u>25,000</u> | <u>-</u> |
| Total Net Assets | 447,340 | 470,310 |
| Total Liabilities and Net Assets | \$ 574,759 | \$ 582,888 |

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

Spare Key

Statements of Activities

| <i>Years Ended December 31,</i> | 2019 | 2018 |
|---|--------------------|-------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | |
| Operating Revenue and Support | | |
| Contributions | \$ 406,279 | \$ 793,983 |
| Special Events | 568,904 | 673,315 |
| Less: Direct Benefit to Donors | (101,345) | (146,365) |
| Special Events, Net | 467,559 | 526,950 |
| Help Me Bounce Platform | 70,191 | - |
| Interest and Dividend Income | 333 | 155 |
| Total Operating Revenue and Support | 944,362 | 1,321,088 |
| Expenses | | |
| Program Services | 513,235 | 668,002 |
| Management and General | 38,771 | 35,007 |
| Fund Development | 440,326 | 351,189 |
| Total | 992,332 | 1,054,198 |
| Change in Net Assets Without Donor Restriction | (47,970) | 266,890 |
| NET ASSETS WITH DONOR RESTRICTION | | |
| Contributions | 25,000 | - |
| Change in Net Assets With Donor Restriction | 25,000 | - |
| Change in Net Assets | \$ (22,970) | \$ 266,890 |

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

Spare Key

Statements of Changes in Net Assets

For the Years Ended December 31, 2019 and 2018

| | Without Donor Restriction | With Donor Restriction | Totals |
|---|------------------------------|---------------------------|-------------------|
| Balances, January 1, 2018 | \$ 203,420 | \$ - | \$ 203,420 |
| Change in Net Assets, December 31, 2018 | 266,890 | - | 266,890 |
| Balances, December 31, 2018 | 470,310 | - | 470,310 |
| Change in Net Assets, December 31, 2019 | (47,970) | 25,000 | (22,970) |
| Balances, December 31, 2019 | \$ 422,340 | \$ 25,000 | \$ 447,340 |

Spare Key

Statements of Cash Flows

| <i>Years Ended December 31,</i> | 2019 | 2018 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ (22,970) | \$ 266,890 |
| Adjustments to Reconcile Change in Net Assets to Net Change in Cash from Operating Activities: | | |
| Depreciation | 20,351 | 20,361 |
| Contributions Restricted for Long-Term Purposes | (25,000) | - |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable—Related Party | - | (1,032) |
| Prepaid Expenses and Other | (16,375) | 4,146 |
| Accounts Payable | (5,899) | 9,843 |
| Accrued Expenses | 2,290 | (663) |
| Deferred Revenue | 18,450 | 20,480 |
| Cash Provided by (Used in) Operating Activities | (29,153) | 320,025 |
| Cash Flows from Financing Activities | | |
| Contributions Restricted for Long-Term Purposes | 25,000 | - |
| Net Change in Cash and Cash Equivalents | (4,153) | 320,025 |
| Cash and Cash Equivalents, Beginning of Year | 513,395 | 193,370 |
| Cash and Cash Equivalents, End of Year | \$ 509,242 | \$ 513,395 |

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

Spare Key

Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

| | 2019 | | | | | 2018 | | | | |
|--|---------------------|-------------------------|---------------------|-------------------|---------------------------------|---------------------|-------------------------|---------------------|-------------------|---------------------------------|
| | Supporting Services | | | | Total Supporting Services | Supporting Services | | | | Total Supporting Services |
| | Program Services | Management & General | Fund Development | Totals | | Program Services | Management & General | Fund Development | Totals | |
| Salaries | \$ 261,400 | \$ 16,338 | \$ 49,013 | \$ 65,351 | \$ 326,751 | \$ 214,467 | \$ 14,257 | \$ 40,363 | \$ 54,620 | \$ 269,087 |
| Payroll Taxes and Employee Benefits | 32,088 | 2,006 | 6,017 | 8,023 | 40,111 | 32,077 | 1,153 | 5,864 | 7,017 | 39,094 |
| Total Personnel Costs | 293,488 | 18,344 | 55,030 | 73,374 | 366,862 | 246,544 | 15,410 | 46,227 | 61,637 | 308,181 |
| Event Expenses | - | - | 282,395 | 282,395 | 282,395 | - | - | 196,140 | 196,140 | 196,140 |
| Professional Fees, Consultants, and Contract Labor | 57,786 | 526 | 9,172 | 9,698 | 67,484 | 51,713 | 720 | 10,449 | 11,169 | 62,882 |
| Rent | 33,628 | 10,394 | 17,120 | 27,514 | 61,142 | 32,017 | 9,896 | 16,300 | 26,196 | 58,213 |
| Housing Assistance | 51,610 | - | - | - | 51,610 | 264,147 | - | - | - | 264,147 |
| Printing and Postage | 2,379 | 291 | 48,781 | 49,072 | 51,451 | 3,490 | 436 | 44,736 | 45,172 | 48,662 |
| Advertising and Promotion | 24,946 | 2,036 | 1,653 | 3,689 | 28,635 | 7,625 | - | 7,625 | 7,625 | 15,250 |
| Depreciation | 11,193 | 3,460 | 5,698 | 9,158 | 20,351 | 11,199 | 3,461 | 5,701 | 9,162 | 20,361 |
| Bank and Credit Card Fees | 4,456 | - | 12,804 | 12,804 | 17,260 | 7,180 | - | 14,250 | 14,250 | 21,430 |
| Telecomm | 12,124 | 1,516 | 1,516 | 3,032 | 15,156 | 12,870 | 1,609 | 1,609 | 3,218 | 16,088 |
| Other | 11,542 | 1,306 | 2,226 | 3,532 | 15,074 | 9,608 | 838 | 3,810 | 4,648 | 14,256 |
| Meals and Travel | 6,851 | 702 | 2,179 | 2,881 | 9,732 | 14,447 | 1,876 | 1,814 | 3,690 | 18,137 |
| Insurance | 1,752 | - | 1,752 | 1,752 | 3,504 | - | - | 2,528 | 2,528 | 5,056 |
| Office Supplies | 1,480 | 196 | - | 196 | 1,676 | 4,634 | 761 | - | 761 | 5,395 |
| Total Expenses | \$ 513,235 | \$ 38,771 | \$ 440,326 | \$ 479,097 | \$ 992,332 | \$ 668,002 | \$ 35,007 | \$ 351,189 | \$ 386,196 | \$ 1,054,198 |
| Percentages | 52% | 4% | 44% | 48% | 100% | 63% | 4% | 33% | 37% | 100% |

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

December 31, 2019 and 2018

1. Description

Spare Key (the “Organization”) was incorporated on September 10, 1997 as a Minnesota nonprofit corporation. Spare Key is committed to helping families stay by their loved one’s side by relieving the stress, anxiety and financial burden that comes with a medical crisis by providing assistance to homeowners with a critically ill or seriously injured family member by making mortgage payments on the family’s behalf. Additionally they also facilitate crowdfunding to connect thousands of families directly to donors to help families “Bounce and Not Break” through the Help Me Bounce platform.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization’s financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—This class of net assets includes those resources over which the Board of Directors has discretionary control.

Net Assets With Donor Restrictions—This class of net assets is subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by the passage of time or by actions of the Organization specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated that resources be maintained in perpetuity. Donor-restricted contributions are reported as increase in net assets with 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At times balances in cash accounts may exceed FDIC insured amounts.

December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenue without donor restrictions or with donor restrictions, based on the existence and nature of any donor restrictions. Conditional promises to give are recorded as revenue upon the occurrence of the specified event which satisfies the conditional nature of the promise.

Donor-restricted contributions are reported in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is accomplished, 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 restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows, when the discounts are significant. Discounts are determined using approximate interest rates applicable to long-term government securities as of December 31 of the fiscal year in which the promises are received. Amortization of the discounts is recorded as contribution revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost or at the estimated fair value at the date of gift. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 7 years. The cost of maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense as incurred.

Donated Securities

Donated securities are recorded at fair value at the date of contribution. Realized and unrealized gains and losses are reflected in Investment Income on the Statements of Activities.

Contributed Services, Materials, and Equipment

The value of contributed services are recognized in the financial statements if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. In-kind contributions of materials and equipment are recorded as support at their estimated fair values. In-kind contributions were \$114,500 and \$109,500 the years ended December 31, 2019 and 2018, respectively.

December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

Costs of providing programs and supporting service activities have been presented in the Statements of Functional Expenses. Salaries and related costs are allocated among the program and supporting service categories based upon the estimated time expended by the employees in those categories. Other costs are allocated according to management's estimates, an allocation of square footage of the facility, or on a direct basis.

Advertising

Advertising costs are expensed as incurred and totaled \$28,635 and \$15,250 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a publicly-supported organization and contributions to it qualify as a charitable tax deduction for the contributors.

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

Subsequent Events

Management has assessed the effects of subsequent events through August 28, 2020, the date the financial statements were available to be released.

3. Liquidity and Availability of Funds

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets are comprised of \$484,242 and \$513,395 as of the years ended December 31, 2019 and 2018, respectively, in cash available for general expenditure which is without donor or other restriction limiting their use, within one year of the statement of financial position date. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

December 31, 2019 and 2018

4. Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| Office Equipment | \$ 58,700 | \$ 58,700 |
| Vehicles | 36,755 | 36,755 |
| Total Property and Equipment | 95,455 | 95,455 |
| Less: Accumulated Depreciation | (65,005) | (44,654) |
| Property and Equipment, Net | <u>\$ 30,450</u> | <u>\$ 50,801</u> |

Depreciation expense totaled \$20,351 and \$20,361 for the years ended December 31, 2019 and 2018, respectively.

5. Net Assets with Donor Restrictions

Donor restricted net assets consisted of the following at December 31:

| | 2019 | 2018 |
|--|------------------|-------------|
| Purpose Restricted: | | |
| Housing Assistance for North Dakota Families | \$ 17,000 | \$ - |
| East Metro Needs Assistance | 8,000 | - |
| Total | <u>\$ 25,000</u> | <u>\$ -</u> |

6. Retirement Plan

The Organization has a 401(k) retirement plan for employees meeting certain eligibility requirements. Eligible employees can elect to make salary reduction contributions to the plan. The Organization matches employee contributions up to 4% of employee compensation. Organization contributions were \$7,997 and \$9,287 for the years ended December 31, 2019 and 2018, respectively.

December 31, 2019 and 2018

7. Operating Lease

The Organization is responsible for base monthly rent and a prorated amount of common area maintenance charges and real estate taxes under a lease for office space expiring in May 2021. Total expenses for the office lease were \$42,774 and \$41,617 for the years ended December 31, 2019 and 2018, respectively.

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

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2020 | \$ 14,440 |
| 2021 | 6,017 |
| Totals | <u>\$ 20,457</u> |

8. Subsequent Events

COVID-19 Pandemic

In March 2020, the United States of America declared a national emergency related to the coronavirus (COVID-19) pandemic and it is anticipated that the impact of this will continue for some time. Impacts of COVID-19 during 2020 includes disruption and restriction on the Organization's employees' ability to work, limitations on the ability to hold special events, and other pandemic related issues. The potential economic impact brought by, and the duration of, COVID-19 is difficult to assess and will depend on future developments that are highly uncertain and cannot be predicted at this time.

9. Reclassifications

Certain reclassifications have been made to the December 31, 2018 presentation to provide comparability to the December 31, 2019 presentation. Net Assets and changes in net assets are unchanged due to these reclassifications.