

**MINNESOTA ORGANIZATION ON
FETAL ALCOHOL SYNDROME**

St. Paul, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2014 and 2013

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

TABLE OF CONTENTS

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expense	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Minnesota Organization on Fetal Alcohol Syndrome
St. Paul, Minnesota

We have audited the accompanying financial statements of Minnesota Organization on Fetal Alcohol Syndrome ("MOFAS") which comprise the statements of financial position as of December 30, 2014 and 2013, and the related statements of activities, 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 the 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 audits 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 the Minnesota Organization on Fetal Alcohol Syndrome as of December 31, 2014 and 2013, and 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.



Minneapolis, Minnesota
June 9, 2015

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 240,904	\$ 190,433
Grants and contributions receivable	394,505	497,958
Prepaid expenses	21,351	8,161
Security deposit	3,734	3,734
Leasehold improvements, net of accumulated depreciation	<u>1,667</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 662,161</u>	<u>\$ 705,286</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 161,040	\$ 253,522
Accrued payroll	11,223	15,806
Accrued liabilities	2,057	1,415
Deferred revenue	<u>795</u>	<u>4,490</u>
Total Liabilities	<u>175,115</u>	<u>275,233</u>
NET ASSETS		
Unrestricted	459,125	368,344
Temporarily restricted	<u>27,921</u>	<u>61,709</u>
Total Net Assets	<u>487,046</u>	<u>430,053</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 662,161</u>	<u>\$ 705,286</u>

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT						
Government grants	\$ 2,644,502	\$ -	\$ 2,644,502	\$ 2,075,649	\$ -	\$ 2,075,649
Contributions and grants	106,972	9,249	116,221	72,461	63,575	136,036
In-kind contributions	3,000	-	3,000	-	-	-
Special events, net of direct costs of \$46,893 and \$54,628 in 2014 and 2013	54,215	-	54,215	51,496	-	51,496
Net assets released from restrictions	43,037	(43,037)	-	31,503	(31,503)	-
Total Public Support	<u>2,851,726</u>	<u>(33,788)</u>	<u>2,817,938</u>	<u>2,231,109</u>	<u>32,072</u>	<u>2,263,181</u>
REVENUE						
Program fees	36,954	-	36,954	42,623	-	42,623
Clinical billing	56,099	-	56,099	17,704	-	17,704
Interest income	532	-	532	443	-	443
Other	3,912	-	3,912	8,356	-	8,356
Total Revenue	<u>97,497</u>	<u>-</u>	<u>97,497</u>	<u>69,126</u>	<u>-</u>	<u>69,126</u>
Total Public Support and Revenue	<u>2,949,223</u>	<u>(33,788)</u>	<u>2,915,435</u>	<u>2,300,235</u>	<u>32,072</u>	<u>2,332,307</u>
EXPENSES						
Program expenses	2,759,845	-	2,759,845	2,165,092	-	2,165,092
Management and general	58,145	-	58,145	66,723	-	66,723
Development	40,452	-	40,452	33,313	-	33,313
Total Expenses	<u>2,858,442</u>	<u>-</u>	<u>2,858,442</u>	<u>2,265,128</u>	<u>-</u>	<u>2,265,128</u>
CHANGE IN NET ASSETS	90,781	(33,788)	56,993	35,107	32,072	67,179
NET ASSETS - Beginning of year	<u>368,344</u>	<u>61,709</u>	<u>430,053</u>	<u>333,237</u>	<u>29,637</u>	<u>362,874</u>
NET ASSETS - END OF YEAR	<u>\$ 459,125</u>	<u>\$ 27,921</u>	<u>\$ 487,046</u>	<u>\$ 368,344</u>	<u>\$ 61,709</u>	<u>\$ 430,053</u>

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Salaries and wages	\$ 629,703	\$ 21,943	\$ 27,917	\$ 679,563	\$ 616,194	\$ 24,971	\$ 22,647	\$ 663,812
Taxes	56,636	1,950	2,478	61,064	53,241	2,108	1,927	57,276
Employee benefits	85,395	1,940	3,160	90,495	71,142	2,268	2,051	75,461
Total Salaries and Related Expenses	771,734	25,833	33,555	831,122	740,577	29,347	26,625	796,549
Contracted services	1,140,039	7,361	202	1,147,602	994,414	3,978	86	998,478
Professional fees	115,231	8,958	1,010	125,199	40,147	4,662	892	45,701
Training and conference	53,804	3,342	211	57,357	84,356	6,925	422	91,703
Insurance	10,763	1,884	-	12,647	9,549	1,800	-	11,349
Fees, dues and other	1,399	1,463	21	2,883	1,917	2,146	23	4,086
Printing	49,832	1,271	685	51,788	40,308	5,700	1,865	47,873
Postage	5,976	117	240	6,333	6,107	362	713	7,182
Rental	44,744	1,300	1,619	47,663	43,202	1,298	1,201	45,701
Supplies	82,372	3,398	622	86,392	122,318	3,660	471	126,449
Travel expenses	20,510	714	118	21,342	19,719	3,800	146	23,665
Telephone	3,387	564	124	4,075	3,912	838	112	4,862
Equipment rental and maintenance	9,596	255	241	10,092	11,105	366	222	11,693
In-kind expenses	3,000	-	-	3,000	-	-	-	-
Advertising and promotion	442,376	-	-	442,376	42,544	14	-	42,558
Interest expense and bank charges	944	1,586	1,777	4,307	918	1,375	514	2,807
Depreciation	3,333	-	-	3,333	3,333	-	-	3,333
Miscellaneous expense	805	99	27	931	666	452	21	1,139
TOTAL EXPENSES	\$ 2,759,845	\$ 58,145	\$ 40,452	\$ 2,858,442	\$ 2,165,092	\$ 66,723	\$ 33,313	\$ 2,265,128

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 56,993	\$ 67,179
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,333	3,333
Changes in assets and liabilities		
Receivables	103,453	(145,401)
Prepaid expenses	(13,190)	28,446
Accounts payable	(92,482)	75,367
Accrued payroll	(4,583)	2,834
Accrued liabilities	642	(625)
Deferred revenue	(3,695)	(17,227)
Net cash flows from operating activities	<u>50,471</u>	<u>13,906</u>
Net Change in Cash and Cash Equivalents	50,471	13,906
CASH AND CASH EQUIVALENTS - Beginning of year	<u>190,433</u>	<u>176,527</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 240,904</u>	<u>\$ 190,433</u>

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2014 and 2013

NOTE 1 – Nature of Activities

In 2014, the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) produced strong outcomes for Minnesota in Fetal Alcohol Spectrum Disorders (FASD) prevention and treatment. A strong emphasis has been placed on increasing the impact of this work in all parts of Minnesota as well as going “deeper” by providing more individualized and targeted programs. Significant strides were made in all of the program areas including diagnosis, family support, community grants, public awareness, and professional education and training. MOFAS has a dual role in the state by both preventing disability caused by prenatal exposure to alcohol, as well as providing support and guidance to individuals with FASD and their families. As a result of this dual role, MOFAS intersects with a wide variety of partners, agencies, and community groups who can impact the mission of the organization. MOFAS also uses a wide array of creative approaches to engage individuals and agencies in the mission.

Reaching professionals in Minnesota who are providing services and support to people living with an FASD as well as women who are pregnant or may be pregnant is a very important aspect of what MOFAS does. One of the highlights of 2014 was the 3rd Annual Conference “FASD Matters” which focused on FASD and human rights. Additionally, trainings were held across the state for educators, social service providers, probation officers, medical doctors, nurses, and other allied health professionals. Providing high quality training both in person and virtually is an important component of the work accomplished in 2014.

MOFAS has taken a strong leadership role in creating more capacity for individuals to be evaluated and potentially diagnosed for an FASD. In order to increase services, MOFAS continued to expand the capacity of the on-site clinic at the office in St. Paul. Additionally, MOFAS worked closely with a network of diagnostic providers across the state through the FASD Diagnostic Consortium. MOFAS also offered training and start up technical assistance to new clinics who can provide evaluation appointments to individuals within their networks and communities.

The Community Grant program continued to flourish in 2014 as we continued with funding for innovative programs that worked with the Native American population as well as Employment Readiness and Training Programs for individuals with an FASD seeking employment support. The grants in Primary Care Clinics and Community Support programs continue as well. The Community Grant Program reaches communities all across the state.

Supporting individuals with an FASD and their families and caregivers is a core component of the work that was accomplished at MOFAS in 2014. Family Resource Coordinators from across the state facilitate support groups, provide support and information to parents on the phone, email and online. The Virtual Family Center is an online opportunity for parents and caregivers to come and share concerns, ideas, resources and support. Additionally, in person activities such as retreats and family trainings are offered throughout the state.

Finally, the outreach and education to childbearing aged women is a high priority at MOFAS. A variety of tools are used to reach women who are pregnant and women who could be pregnant. MOFAS coordinates community based grants to agencies who are working to share the “049” (zero alcohol for nine months) message. MOFAS also participates in established baby fairs and community events. Free educational posters, brochures and other unique tools such as window clings and chapsticks are shared across the state. Outreach to prenatal care providers also occurred, educating them on their vital role in giving the clear message of no alcohol use during pregnancy. The 049 message was also used this year in a statewide public awareness campaign, titled “Love.Hope.Joy.” The campaign message was seen across many media platforms from online ads to billboards in Greater MN.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 1 – Nature of Activities (Continued)

Systemic change in preventing and treating FASD in Minnesota can only be achieved with sustained, consistent and comprehensive programs that impact every part of the state, and all citizens. Although much work remains to be done, 2014 was a year of exceptional progress as MOFAS works to create communities throughout Minnesota where women choose not to drink when they are pregnant and people living with FASD are leading healthy lives.

NOTE 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

MOFAS defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of the federally insured limits and similar insurance coverages are subject to the usual banking risks of funds in excess of those limits.

Grants and Contributions Receivable

Receivables are stated at net realizable value. MOFAS believes that all amounts receivable are fully collectible within one year; therefore an allowance for doubtful accounts or discount on the receivable is not recorded. Receivables are generally unsecured.

Equipment and Leasehold Improvements

Equipment purchased with non-grantor funds is capitalized at cost. Donated equipment is capitalized at market value on the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 5 to 7 years for furniture and equipment. MOFAS capitalizes additions in excess of \$1,000. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

For equipment purchased with grantor funds, the grantor retains title to all equipment acquired under its contracts with MOFAS. Therefore, property and equipment purchases are recorded as expense when acquired. Equipment purchased with grant funds during the year ended December 31, 2013 was \$3,395. There were no such purchases for the year ended December 31, 2014.

Leasehold improvements will be amortized over the life of the lease. At December 31, 2014 and 2013, accumulated depreciation was \$8,333 and \$5,000, respectively.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2014 and 2013

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Professional services of approximately \$3,000 were donated for the year ended December 31, 2014.

A substantial number of volunteers have made significant contributions of their time for the daily operation of MOFAS. The value of these services is not recorded in the financial statements because they do not meet the accounting requirements to be recorded.

Deferred Revenue

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program services fees are earned.

Net Assets

For purposes of financial reporting, MOFAS classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of MOFAS are classified in the accompanying financial statements in the categories that follow:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of MOFAS pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MOFAS. There are currently no permanently restricted net assets.

Revenue Recognition

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

MOFAS recognizes program grant contract revenue in the period the related services are performed as specified under the terms of the government contract. Accordingly, advances for future periods are reported as deferred revenues. MOFAS generally considers grant contracts with governmental agencies to be exchange transactions.

MOFAS recognizes revenues from program fees and clinical billings when services are provided. Revenue is reported at the estimated net amounts due from third-party payers for services rendered.

Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status

MOFAS has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation.

Accounting principles generally accepted in the United States of America requires MOFAS to evaluate positions taken and recognize a tax liability (or asset) if they have taken an uncertain position that more likely than not would not be sustained upon examination by applicable tax authorities. Management has analyzed tax positions taken by MOFAS, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. MOFAS is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The tax returns for the current year as well as fiscal years 2012 and thereafter are open to examination by federal and state authorities.

Advertising

Advertising costs are charged to operations when incurred.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - Net Assets

Temporarily restricted net assets at December 31 are composed of:

	<u>2014</u>	<u>2013</u>
Timing restrictions:		
Butler Foundation	\$ 16,838	\$ 38,411
Other	11,083	5,576
Bigelow Foundation	-	17,722
	<u> </u>	<u> </u>
Totals	<u>\$ 27,921</u>	<u>\$ 61,709</u>

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were reclassified to unrestricted net assets for operations and programs.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2014 and 2013

NOTE 4 - Concentrations

Government grant revenue for 2014 resulted principally from one contract with the Minnesota Department of Health (MDH). The current grant agreement expires June 30, 2019. Receivables from MDH at December 31, 2014 and 2013 include approximately \$354,000 and \$368,000, respectively, for services performed in November and December of each year.

NOTE 5 - Special Events

Total special event costs were \$46,893 and \$54,628 for the years ended December 31, 2014 and 2013, respectively. Special event revenue on the statement of activities is shown net of these costs. MOFAS hosts two special events - an annual theater event and a golf tournament.

NOTE 6 - Operating Leases

MOFAS leases office space, storage space, a copier and postage machine. The leases are accounted for as operating leases. The office space lease expires April 30, 2018. The various equipment leases expire at various dates through September 2016.

Future minimum operating lease payments as of December 31, 2014 are as follows:

2015	\$	59,900
2016		61,541
2017		55,514
2018		<u>18,505</u>
	\$	<u>195,460</u>

Space and equipment rent expense on the operating leases was \$55,619 and \$53,657 for the years ended December 31, 2014 and 2013, respectively.

NOTE 7 - Retirement Plan

For employees meeting certain eligibility requirements, MOFAS contributes 3% of the employee's gross wages or the amount of their personal contribution, whichever is less, to their Simple IRA. MOFAS's match amounts were \$17,440 and \$13,205 in 2014 and 2013, respectively.

NOTE 8 - Line of Credit

MOFAS has a \$75,000 revolving line of credit with Bremer Bank that is subject to renewal on November 18, 2015. The line of credit is secured by all assets of MOFAS. Borrowings bear interest at the bank's prime lending rate plus 1.00% over the index (rate on issue date was 3.25%). However, under no circumstances will the total rate fall below 5.00%. There were no outstanding borrowings at December 31, 2014 and 2013.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 9 - Subsequent Events

MOFAS has evaluated subsequent events through June 9, 2015 which is the date that the financial statements were approved and available to be issued.