MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

St. Paul, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2015 and 2014

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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 31, 2015 and 2014, 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 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, 2015 and 2014, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
June 13, 2016

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014

ASSETS

	2015	2014
ASSETS		
Cash and cash equivalents	$ 498,358	$ 240,904
Grants and contributions receivable	332,572	394,505
Prepaid expenses	18,727	21,351
Security deposit	3,734	3,734
Certificate of deposit	5,089	-
Leasehold improvements, net of accumulated depreciation	-	1,667
TOTAL ASSETS	$ 858,480	$ 662,161

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 219,070	$ 161,040
Accrued payroll	16,842	11,223
Accrued liabilities	3,397	2,057
Deferred revenue	6,110	795
Total Liabilities	245,419	175,115
NET ASSETS		
Unrestricted	525,976	459,125
Temporarily restricted	87,085	27,921
Total Net Assets	613,061	487,046
TOTAL LIABILITIES AND NET ASSETS	$ 858,480	$ 662,161

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT						
Government grants	$ 1,990,133	$ -	$ 1,990,133	$ 2,644,502	$ -	$ 2,644,502
Contributions and grants	161,941	100,400	262,341	106,972	9,249	116,221
In-kind contributions	2,314	-	2,314	3,000	-	3,000
Special events, net of direct costs of $47,891 and 46,893 in 2015 and 2014	40,323	-	40,323	54,215	-	54,215
Net assets released from restrictions	41,236	(41,236)	-	43,037	(43,037)	-
Total Public Support	2,235,947	59,164	2,295,111	2,851,726	(33,788)	2,817,938
REVENUE						
Program fees	41,053	-	41,053	36,954	-	36,954
Clinical billing	57,457	-	57,457	56,099	-	56,099
Interest income	655	-	655	532	-	532
Other	2,449	-	2,449	3,912	-	3,912
Total Revenue	101,614	-	101,614	97,497	-	97,497
Total Public Support and Revenue	2,337,561	59,164	2,396,725	2,949,223	(33,788)	2,915,435
EXPENSES						
Program expenses	2,121,859	-	2,121,859	2,759,845	-	2,759,845
Management and general	108,141	-	108,141	58,145	-	58,145
Development	40,710	-	40,710	40,452	-	40,452
Total Expenses	2,270,710	-	2,270,710	2,858,442	-	2,858,442
CHANGE IN NET ASSETS	66,851	59,164	126,015	90,781	(33,788)	56,993
NET ASSETS - Beginning of year	459,125	27,921	487,046	368,344	61,709	430,053
NET ASSETS - END OF YEAR	$ 525,976	$ 87,085	$ 613,061	$ 459,125	$ 27,921	$ 487,046

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Salaries and wages	$ 690,024	$ 39,574	$ 26,536	$ 756,134	$ 629,703	$ 21,943	$ 27,917	$ 679,563
Taxes	66,316	3,955	2,492	72,763	56,636	1,950	2,478	61,064
Employee benefits	101,684	2,429	2,304	106,417	85,395	1,940	3,160	90,495
Total Salaries and Related Expenses	858,024	45,958	31,332	935,314	771,734	25,833	33,555	831,122
Contracted services	997,281	6,894	373	1,004,548	1,175,070	8,190	202	1,183,462
Professional fees	44,268	37,742	1,025	83,035	115,231	8,958	1,010	125,199
Training and conference	11,685	4,169	337	16,191	18,773	2,513	211	21,497
Insurance	12,421	1,971	-	14,392	10,763	1,884	-	12,647
Fees, dues and other	1,433	2,128	19	3,580	1,399	1,463	21	2,883
Printing	16,322	498	825	17,645	49,832	1,271	685	51,788
Postage	3,494	108	237	3,839	5,976	117	240	6,333
Rental	51,527	2,087	1,621	55,235	44,744	1,300	1,619	47,663
Supplies	87,977	1,828	296	90,101	82,372	3,398	622	86,392
Travel expenses	19,223	2,002	91	21,316	20,510	714	118	21,342
Telephone	4,085	173	124	4,382	3,387	564	124	4,075
Equipment rental and maintenance	11,339	484	199	12,022	9,596	255	241	10,092
In-kind expenses	-	-	2,314	2,314	3,000	-	-	3,000
Advertising and promotion	-	-	-	-	442,376	-	-	442,376
Interest expense and bank charges	339	1,542	1,899	3,780	944	1,586	1,777	4,307
Depreciation	1,667	-	-	1,667	3,333	-	-	3,333
Miscellaneous expense	774	557	18	1,349	805	99	27	931
TOTAL EXPENSES	$ 2,121,859	$ 108,141	$ 40,710	$ 2,270,710	$ 2,759,845	$ 58,145	$ 40,452	$ 2,858,442

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 126,015	$ 56,993
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,667	3,333
Changes in assets and liabilities		
Receivables	61,933	103,453
Prepaid expenses	2,624	(13,190)
Accounts payable	58,030	(92,482)
Accrued payroll	5,619	(4,583)
Accrued liabilities	1,340	642
Deferred revenue	5,315	(3,695)
Net cash flows from operating activities	262,543	50,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(5,089)	-
Net cash flows from investing activities	(5,089)	-
Net Change in Cash and Cash Equivalents	257,454	50,471
CASH AND CASH EQUIVALENTS - Beginning of year	240,904	190,433
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 498,358	$ 240,904

See accompanying notes to financial statements.

NOTE 1 – Nature of Activities

In 2015, the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) produced strong outcomes for Minnesota in FASD (Fetal Alcohol Spectrum Disorders) 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 an 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 supports to people living with an FASD as well as women who are pregnant or may be pregnant is a very important aspect of what we do. One of the highlights of 2015 was the 4th Annual Conference “FASD Matters” which focused on FASD across the lifespan. Additionally, trainings were held across the state for educators, social service providers, probation officers, medical doctors, nurses, and other allied health professionals. There were also MOFAS live! broadcasts which were a series of educational talks on FASD. Providing high quality training both in person and virtually is an important component of the work accomplished in 2015.

MOFAS has taken a strong leadership role in creating more capacity for individuals to be evaluated and potentially diagnosed for a FASD. In order to create more capacity, 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 Grants program made a valuable community impact related to increasing access to employment, supporting social and adaptive functioning skill development, and outreach to American Indian communities around the state. Additionally, the prevention/public awareness grants reached across the state to large and small communities with the “049” (zero alcohol for nine months) message. The Community Grant program reaches communities all across the state.

Supporting individuals with a FASD and their families and caregivers is a core component of the work that was accomplished at MOFAS in 2015. The network of peer supporters in family engagement provided significant support to caregivers. A wide variety of virtual and in-person supports were offered to birth, foster, adoptive and kinship caregivers. Retreats, Virtual Family Center, and Circle of Hope Birth Mom Support groups are just a few examples of the many support options available for caregivers. This work continues to expand and grow based on the needs of the growing FASD community. 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” 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. Looking at the bigger picture of how MOFAS can impact healthy pregnancy outcomes has been front and center in the expansive prevention work conducted this year. In order to prevent prenatal exposure to alcohol it has been determined that MOFAS must broaden its message to reach childbearing aged women before they become pregnant. The reach across the state of Minnesota has been significant.

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, 2015 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.

Certificate of Deposit

MOFAS deposited cash related to a restricted gift into a certificate of deposit which matures in 2020 and accrues interest monthly. The certificate of deposit is restricted to support families participating in MOFAS' programs.

Leasehold Improvements, net

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 $5,000. 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. There were no such purchases for the years ended December 31, 2015 and December 31, 2014.

Leasehold improvements of $10,000 are being amortized over the life of the lease. At December 31, 2015 and 2014, accumulated depreciation was $10,000 and $8,333, respectively.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Contributions of materials and services are recognized if the materials and 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 materials and services of approximately $2,314 and $3,000 were donated in the years ended December 31, 2015 and December 31, 2014, respectively.

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 released from restrictions 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.

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, 2015 and 2014, 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.

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.

New Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers.* This new accounting guidance was issued that outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This guidance is effective for the Organization’s fiscal year ending December 31, 2019 with early application permitted beginning in the year ended December 31, 2017. MOFAS is assessing the impact this new standard will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the statement of financial position as a lease liability and a right-of-use asset (as defined). This guidance is effective for the Organization’s fiscal year ended December 31, 2020, with early application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. MOFAS is assessing the impact this new standard will have on its financial statements.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts appearing in the 2014 financial statements have been reclassified to conform with the 2015 presentation. The reclassifications have no effect on the reported amount of total net assets or changes in total net assets.

NOTE 3 - Net Assets

Temporarily restricted net assets at December 31 are composed of:

	2015	2014
Timing restrictions	$ 87,085	$ 27,921
Totals	$ 87,085	$ 27,921

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.

NOTE 4 - Concentrations

Government grant revenue for 2015 and 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, 2015 and 2014 include approximately $174,000 and $354,000, respectively, for services performed in December of 2015 and November and December of 2014.

NOTE 5 - 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 December 2020.

Future minimum operating lease payments as of December 31, 2015 are as follows:

2016	$ 60,950
2017	60,410
2018	23,401
2019	4,896
2020	4,896
	$ 154,553

Space and equipment rent expense on the operating leases was $63,190 and $55,619 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 - 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 $16,519 and $17,440 in 2015 and 2014, respectively.

NOTE 7 - Line of Credit

MOFAS has a $75,000 revolving line of credit with Bremer Bank that is subject to renewal on December 28, 2017. 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 3.5%). However, under no circumstances will the total rate fall below 5.00%. There were no outstanding borrowings at December 31, 2015 and 2014.

NOTE 8 - Subsequent Events

MOFAS has evaluated subsequent events through June 13, 2016 which is the date that the financial statements were approved and available to be issued.