

**MINNESOTA ORGANIZATION ON
FETAL ALCOHOL SYNDROME**

St. Paul, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

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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, 2016 and 2015, 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 Minnesota Organization on Fetal Alcohol Syndrome as of December 31, 2016 and 2015, 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
May 15, 2017

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

ASSETS		
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 321,222	\$ 498,358
Grants and contributions receivable	446,250	332,572
Prepaid expenses	29,832	18,727
Security deposit	3,734	3,734
Certificate of deposit	<u>5,194</u>	<u>5,089</u>
TOTAL ASSETS	<u>\$ 806,232</u>	<u>\$ 858,480</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 155,247	\$ 219,070
Accrued payroll	22,512	16,842
Accrued liabilities	9,761	3,397
Deferred revenue	<u>5,435</u>	<u>6,110</u>
Total Liabilities	<u>192,955</u>	<u>245,419</u>
NET ASSETS		
Unrestricted	521,130	525,976
Temporarily restricted	<u>92,147</u>	<u>87,085</u>
Total Net Assets	<u>613,277</u>	<u>613,061</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 806,232</u>	<u>\$ 858,480</u>

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
			Unrestricted	Total
PUBLIC SUPPORT				
Government grants	\$ 2,138,069	\$ -	\$ 2,138,069	\$ -
Contributions and grants	116,807	84,750	201,557	100,400
In-kind contributions	28,895	-	28,895	-
Special events, net of direct costs of \$37,596 and \$47,891 in 2016 and 2015	42,266	-	42,266	-
Net assets released from restrictions	79,688	(79,688)	-	(41,236)
Total Public Support	2,405,725	5,062	2,410,787	59,164
			2,235,947	2,295,111
REVENUE				
Program fees	45,635	-	45,635	41,053
Clinical billing	60,805	-	60,805	57,457
Interest income	1,170	-	1,170	655
Other	738	-	738	2,449
Total Revenue	108,348	-	108,348	101,614
Total Public Support and Revenue	2,514,073	5,062	2,519,135	59,164
			2,337,561	2,396,725
EXPENSES				
Program expenses	2,336,500	-	2,336,500	2,121,859
Management and general Development	117,446	-	117,446	108,141
	64,973	-	64,973	40,710
Total Expenses	2,518,919	-	2,518,919	2,270,710
			66,851	126,015
CHANGE IN NET ASSETS	(4,846)	5,062	216	59,164
NET ASSETS - Beginning of year	525,976	87,085	613,061	27,921
NET ASSETS - END OF YEAR	\$ 521,130	\$ 92,147	\$ 613,277	\$ 87,085
			\$ 525,976	\$ 613,061

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016 and 2015

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 216	\$ 126,015
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	-	1,667
Changes in assets and liabilities		
Grants and contributions receivable	(113,678)	61,933
Prepaid expenses	(11,105)	2,624
Accounts payable	(63,823)	58,030
Accrued payroll	5,670	5,619
Accrued liabilities	6,364	1,340
Deferred revenue	(675)	5,315
Net cash flows from operating activities	<u>(177,031)</u>	<u>262,543</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	<u>(105)</u>	<u>(5,089)</u>
Net cash flows from investing activities	<u>(105)</u>	<u>(5,089)</u>
Net Change in Cash and Cash Equivalents	(177,136)	257,454
CASH AND CASH EQUIVALENTS - Beginning of year	<u>498,358</u>	<u>240,904</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 321,222</u>	<u>\$ 498,358</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, 2016 and 2015

NOTE 1 - Nature of Activities

In 2016, 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 2016 was the 5th Annual Conference "FASD Matters" which focused on navigating stigma, toxic stress and trauma. 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 2016.

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 our 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 increased early identification of children with an FASD by incorporating screening into standard protocols, increased access to employment services for individuals with an FASD, culturally specific programming in American Indian and African American communities, legal advocacy for students with an FASD, programs that provided family support, and opportunities for young adults with an FASD to learn and practice social and life skills. 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 2016. 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.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Nature of Activities (Continued)

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 lip balms are shared across the state. In 2016, there were also public awareness prevention messages on TV and social media to engage with women in their childbearing ages. 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 we 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 we must broaden our message to reach childbearing aged women before they become pregnant. The reach across the state of Minnesota has been significant.

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, 2016 was a year of exceptional progress as we work 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 and due 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 recorded at amortized cost, which approximates fair value, and is restricted to support families participating in MOFAS' programs.

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 \$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, 2016 and December 31, 2015.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Leasehold Improvements (continued)

Leasehold improvements of \$10,000 are being depreciated over the life of the lease. At December 31, 2016 and 2015, accumulated depreciation was \$10,000.

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 \$28,895 and \$2,314 were donated in the years ended December 31, 2016 and December 31, 2015, 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 and special event revenue 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.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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.

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, 2016 and 2015, 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 Accounting 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.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (continued)

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.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 31, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The MOFAS is assessing the impact this standard will have on its financial statements.

Reclassifications

Certain amounts appearing in the 2015 financial statements have been reclassified to conform with the 2016 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:

	2016	2015
Timing restrictions	\$ 92,147	\$ 87,085

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 2016 and 2015 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, 2016 and 2015 include approximately \$367,000 and \$174,000, respectively, for services performed in November and December of 2016 and December of 2015.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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, 2016 are as follows:

2017	\$	61,218
2018		24,209
2019		5,704
2020		5,704
2021		606
		<hr/>
	\$	97,441

Space and equipment rent expense on the operating leases was \$61,488 and \$63,190 for the years ended December 31, 2016 and 2015, 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 \$14,857 and \$16,519 in 2016 and 2015, 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, 2016 and 2015.

NOTE 8 - Subsequent Events

MOFAS has evaluated subsequent events through May 15, 2017 which is the date that the financial statements were approved and available to be issued.