MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

St. Paul, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

TABLE OF CONTENTS

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 31, 2017 and 2016, 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 MOFAS as of December 31, 2017 and 2016, 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 24, 2018

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

ASSETS

	2017	2016
ASSETS		
Cash and cash equivalents	$ 530,960	$ 321,222
Grants and contributions receivable	427,895	446,250
Prepaid expenses	26,330	29,832
Security deposit	3,734	3,734
Equipment and leasehold improvements, net	33,570	-
Certificate of deposit	5,300	5,194
TOTAL ASSETS	$ 1,027,789	$ 806,232

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable	$ 314,212	$ 155,247
Accrued payroll	18,506	22,512
Accrued liabilities	11,867	9,761
Deferred revenue	6,619	5,435
Total Liabilities	351,204	192,955
NET ASSETS		
Unrestricted	585,342	521,130
Temporarily restricted	91,243	92,147
Total Net Assets	676,585	613,277
TOTAL LIABILITIES AND NET ASSETS	$ 1,027,789	$ 806,232

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT						
Government grants	$ 2,274,740	$ -	$ 2,274,740	$ 2,138,069	$ -	$ 2,138,069
Contributions and grants	165,241	106,535	271,776	116,807	84,750	201,557
In-kind contributions	6,000	-	6,000	28,895	-	28,895
Special events, net of direct costs of $58,774 and $37,596 in 2017 and 2016	55,177	-	55,177	42,266	-	42,266
Net assets released from restrictions	107,439	(107,439)	-	79,688	(79,688)	-
Total Public Support	2,608,597	(904)	2,607,693	2,405,725	5,062	2,410,787
REVENUE						
Program fees	39,942	-	39,942	45,635	-	45,635
Clinical billing	63,071	-	63,071	60,805	-	60,805
Interest income	1,419	-	1,419	1,170	-	1,170
Other	1,084	-	1,084	738	-	738
Total Revenue	105,516	-	105,516	108,348	-	108,348
Total Public Support and Revenue	2,714,113	(904)	2,713,209	2,514,073	5,062	2,519,135
EXPENSES						
Program expenses	2,450,509	-	2,450,509	2,336,500	-	2,336,500
Management and general	125,348	-	125,348	117,446	-	117,446
Development	74,044	-	74,044	64,973	-	64,973
Total Expenses	2,649,901	-	2,649,901	2,518,919	-	2,518,919
CHANGE IN NET ASSETS	64,212	(904)	63,308	(4,846)	5,062	216
NET ASSETS - Beginning of year	521,130	92,147	613,277	525,976	87,085	613,061
NET ASSETS - END OF YEAR	$ 585,342	$ 91,243	$ 676,585	$ 521,130	$ 92,147	$ 613,277

See accompanying notes to financial statements.

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Salaries and wages	$ 773,473	$ 45,942	$ 50,590	$ 870,005	$ 734,198	$ 46,129	$ 48,108	$ 828,435
Taxes	65,480	3,903	4,295	73,678	67,984	4,175	4,287	76,446
Employee benefits	123,460	7,628	8,439	139,527	88,955	3,030	3,157	95,142
Total Salaries and Related Expenses	962,413	57,473	63,324	1,083,210	891,137	53,334	55,552	1,000,023
Contracted services	955,683	903	288	956,874	943,416	1,137	217	944,770
Professional fees	49,039	49,842	1,778	100,659	71,849	41,497	1,480	114,826
Training and conference	95,311	3,680	927	99,918	82,319	6,828	931	90,078
Insurance	14,147	1,940	-	16,087	13,333	1,953	-	15,286
Fees, dues and other	2,646	1,894		4,540	1,664	3,145	28	4,837
Printing	14,972	237	1,871	17,080	17,656	182	1,704	19,542
Postage	4,564	1,291	334	6,189	3,380	561	58	3,999
Rental	51,690	2,035	2,389	56,114	52,136	2,003	2,536	56,675
Supplies	117,528	1,347	444	119,319	59,353	2,823	197	62,373
Travel expenses	34,406	2,151	176	36,733	26,323	1,361	89	27,773
Telephone	4,557	190	229	4,976	4,262	160	194	4,616
Equipment rental and maintenance	6,519	215	267	7,001	11,809	484	202	12,495
In-kind expenses	6,000	-	-	6,000	28,895	-	-	28,895
Advertising and promotion	122,844	-	-	122,844	128,473	-	190	128,663
Interest expense and bank charges	116	1,813	2,009	3,938	265	1,685	1,586	3,536
Depreciation	6,714	-	-	6,714	-	-	-	-
Miscellaneous expense	1,360	337	8	1,705	230	293	9	532
TOTAL EXPENSES	$ 2,450,509	$ 125,348	$ 74,044	$ 2,649,901	$ 2,336,500	$ 117,446	$ 64,973	$ 2,518,919

MINNESOTA ORGANIZATION ON FETAL ALCOHOL SYNDROME

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 63,308	$ 216
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	6,714	-
Interest income reinvested in certificate of deposit	(106)	(105)
Changes in assets and liabilities		
Grants and contributions receivable	18,355	(113,678)
Prepaid expenses	3,502	(11,105)
Accounts payable	146,819	(63,823)
Accrued payroll	(4,006)	5,670
Accrued liabilities	2,106	6,364
Deferred revenue	1,184	(675)
Net cash flows from operating activities	237,876	(177,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(28,138)	-
Net cash flows from investing activities	(28,138)	-
Net Change in Cash and Cash Equivalents	209,738	(177,136)
CASH AND CASH EQUIVALENTS - Beginning of year	321,222	498,358
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 530,960	$ 321,222
Non-cash investing and financing activities		
Property and equipment acquired through accounts payable	$ 12,146	$ -

See accompanying notes to financial statements.

NOTE 1 - Nature of Activities

In 2017, the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) produced outcomes for Minnesota in FASD (Fetal Alcohol Spectrum Disorders) prevention and treatment. An emphasis has been placed on increasing the impact of this work in all parts of Minnesota as well as providing more individualized and targeted programs. Progress was 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.

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 priority of the organization. One of the highlights of 2017 was the 6th Annual Conference “FASD Matters” which focused on bridging the gap from FASD research to practice. 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 2017.

MOFAS has taken the lead 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 goals of the community grants program include increasing early identification of children with an FASD by incorporating screening into standard protocols and increasing access to employment services for individuals with an FASD. The grant program also funds 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 prevention message. One of the prevention grant efforts specifically reaches out to women with alcohol and substance use disorders to provide community resources, tool, and supports for the women to become and remain sober while having alcohol-free pregnancies. 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 2017. The network of family engagement staff provided support to caregivers across the state. 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.

NOTE 1 - Nature of Activities (Continued)

Finally, the outreach and education to childbearing aged women is a 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 prevention 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 2017, there were also public awareness prevention messages displayed on billboards across the state 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 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.

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, 2017 was a year of steady 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.

Equipment and Leasehold Improvements, net

Equipment and leasehold improvements 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. 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 MOFAS's accounts. If the retirements result in gains or losses, these are recorded as income in the statement of activities.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Equipment and Leasehold Improvements, net (continued)

For equipment purchased with government 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, 2017 and December 31, 2016.

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 $6,000 and $28,895 were donated in the years ended December 31, 2017 and December 31, 2016, 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.

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, 2017 and 2016, 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 guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective for years beginning after December 15, 2018. Early application is permitted. MOFAS is assessing the impact this new standard will have on its financial statements.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. 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 years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. MOFAS is assessing the impact this standard will have on its financial statements.

NOTE 3 - Equipment and Leasehold Improvements, net

Equipment and leasehold improvements at December 31, 2017 and 2016 are summarized as follows:

	Depreciable Lives	2017	2016
Leasehold improvements	3 yrs.	$ 10,000	$ 10,000
Software	3 yrs.	40,284	-
Total equipment and leasehold improvements		50,284	10,000
Less: Accumulated depreciation		(16,714)	(10,000)
Equipment and leasehold improvements, net		$ 33,570	$ -

NOTE 4 - Net Assets

Temporarily restricted net assets at December 31 are composed of:

	2017	2016
Timing restrictions	$ 91,243	$ 92,147

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 5 - Concentrations

Government grant revenue for 2017 and 2016 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, 2017 and 2016 include approximately $213,000 and $367,000, respectively, for services performed in December of 2017 and November and December of 2016, respectively.

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, 2019. The various equipment leases expire at various dates through September 2021.

Future minimum operating lease payments as of December 31, 2017 are as follows:

2018	$	62,059
2019		24,629
2020		5,704
2021		606
	$	92,998

Space and equipment rent expense on the operating leases was $61,818 and $61,488 for the years ended December 31, 2017 and 2016, 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 $20,549 and $14,857 in 2017 and 2016, respectively.

NOTE 8 - Line of Credit

MOFAS has a $75,000 revolving line of credit with Bremer Bank that is subject to renewal on December 28, 2019. 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 4.5%). However, under no circumstances will the total rate fall below 5.00%. There were no outstanding borrowings at December 31, 2017 and 2016.

NOTE 9 - Commitments and Contingencies

From time to time, MOFAS is subject to various legal matters in the normal course of business. The outcome of these matters is not expected to have a material effect on MOFAS financial position.

NOTE 10 - Subsequent Events

MOFAS has evaluated subsequent events through May 24, 2018 which is the date that the financial statements were approved and available to be issued.