PROOF ALLIANCE
St. Paul, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

PROOF ALLIANCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Proof Alliance
St. Paul, Minnesota

We have audited the accompanying financial statements of Proof Alliance (the "Proof Alliance"), formerly known as Minnesota Organization on Fetal Alcohol Syndrome, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Proof Alliance as of December 31, 2018 and 2017, 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 29, 2019

PROOF ALLIANCE

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	$ 741,383	$ 530,960
Grants and contributions receivable	615,345	427,895
Prepaid expenses	22,229	26,330
Security deposit	3,734	3,734
Equipment and leasehold improvements, net	20,142	33,570
Certificate of deposit	5,409	5,300
TOTAL ASSETS	$ 1,408,242	$ 1,027,789

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 275,258	$ 314,212
Accrued payroll	19,681	18,506
Accrued liabilities	11,915	11,867
Deferred revenue	-	6,619
Total Liabilities	306,854	351,204
NET ASSETS		
Without donor restrictions	724,678	585,342
With donor restrictions	376,710	91,243
Total Net Assets	1,101,388	676,585
TOTAL LIABILITIES AND NET ASSETS	$ 1,408,242	$ 1,027,789

See accompanying notes to financial statements.

PROOF ALLIANCE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT						
Government grants	$ 2,319,333	$ -	$ 2,319,333	$ 2,274,740	$ -	$ 2,274,740
Contributions and grants	205,948	363,850	569,798	165,241	106,535	271,776
In-kind contributions	448,651	-	448,651	6,000	-	6,000
Special events, net of direct costs of $66,430 and $58,774 in 2018 and 2017	126,549	-	126,549	55,177	-	55,177
Net assets released from restrictions	78,383	(78,383)	-	107,439	(107,439)	-
Total Public Support	3,178,864	285,467	3,464,331	2,608,597	(904)	2,607,693
REVENUE						
Program fees	41,920	-	41,920	39,942	-	39,942
Clinical billing	58,087	-	58,087	63,071	-	63,071
Interest income	3,047	-	3,047	1,419	-	1,419
Other	2,317	-	2,317	1,084	-	1,084
Total Revenue	105,371	-	105,371	105,516	-	105,516
Total Public Support and Revenue	3,284,235	285,467	3,569,702	2,714,113	(904)	2,713,209
EXPENSES						
Program expenses	2,680,437	-	2,680,437	2,428,957	-	2,428,957
Management and general	388,800	-	388,800	147,160	-	147,160
Development	75,662	-	75,662	73,784	-	73,784
Total Expenses	3,144,899	-	3,144,899	2,649,901	-	2,649,901
CHANGE IN NET ASSETS	139,336	285,467	424,803	64,212	(904)	63,308
NET ASSETS - Beginning of year	585,342	91,243	676,585	521,130	92,147	613,277
NET ASSETS - END OF YEAR	$ 724,678	$ 376,710	$ 1,101,388	$ 585,342	$ 91,243	$ 676,585

See accompanying notes to financial statements.

PROOF ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Salaries and wages	$ 752,433	$ 47,064	$ 45,430	$ 844,927	$ 773,473	$ 45,942	$ 50,590	$ 870,005
Taxes	61,097	3,807	3,636	68,540	65,480	3,903	4,295	73,678
Employee benefits	115,673	8,530	8,001	132,204	123,460	7,628	8,439	139,527
Total Salaries and Related Expenses	929,203	59,401	57,067	1,045,671	962,413	57,473	63,324	1,083,210
Contracted services	1,106,537	1,633	185	1,108,355	955,683	903	288	956,874
Professional fees	30,341	66,661	701	97,703	27,823	71,654	1,182	100,659
Training and conference	94,371	12,461	6,179	113,011	95,311	3,680	927	99,918
Insurance	14,541	1,926	-	16,467	14,147	1,940	-	16,087
Fees, dues and other	1,951	3,691	521	6,163	2,646	1,894	-	4,540
Printing	11,617	399	1,547	13,563	14,972	237	1,871	17,080
Postage	4,054	747	660	5,461	4,564	1,291	334	6,189
Rental	52,905	2,303	2,382	57,590	51,690	2,035	2,389	56,114
Supplies	61,865	3,743	382	65,990	117,528	1,347	444	119,319
Travel expenses	41,773	4,785	374	46,932	34,406	2,151	176	36,733
Telephone	4,020	156	162	4,338	4,557	190	229	4,976
Equipment rental and maintenance	5,293	197	214	5,704	6,519	215	267	7,001
In-kind expenses	224,326	224,326	-	448,652	6,000	-	-	6,000
Advertising and promotion	84,035	3,485	1,282	88,802	122,844	-	-	122,844
Interest expense and bank charges	196	1,956	3,324	5,476	116	1,813	2,009	3,938
Depreciation	12,757	-	671	13,428	6,378	-	336	6,714
Miscellaneous expense	652	930	11	1,593	1,360	337	8	1,705
TOTAL EXPENSES	$ 2,680,437	$ 388,800	$ 75,662	$ 3,144,899	$ 2,428,957	$ 147,160	$ 73,784	$ 2,649,901

See accompanying notes to financial statements.

PROOF ALLIANCE

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 424,803	$ 63,308
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	13,428	6,714
Interest income reinvested in certificate of deposit	(109)	(106)
Changes in assets and liabilities		
Grants and contributions receivable	(187,450)	18,355
Prepaid expenses	4,101	3,502
Accounts payable	(26,808)	146,819
Accrued payroll	1,175	(4,006)
Accrued liabilities	48	2,106
Deferred revenue	(6,619)	1,184
Net cash flows from operating activities	222,569	237,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(12,146)	(28,138)
Net cash flows from investing activities	(12,146)	(28,138)
Net Change in Cash and Cash Equivalents	210,423	209,738
CASH AND CASH EQUIVALENTS - Beginning of year	530,960	321,222
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 741,383	$ 530,960
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 2018, Proof Alliance (the "Organization") changes its name from Minnesota Organization on Fetal Alcohol Syndrome (MOFAS). The mission remained the same, but the new name more clearly articulates it. We have the proof that Fetal Alcohol Spectrum Disorders ("FASD") is preventable and that all impacted by FASD can live up to their full potential. Like previous years, the Organization made progress in all of the program areas including diagnosis, family support, community grants, public awareness, and professional education and training. Proof Alliance has a dual role in the state by both preventing prenatal exposure to alcohol, as well as providing support and guidance to individuals with a FASD and their families. As a result of this dual role, the Organization 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 a FASD as well as women who are pregnant or may be pregnant is a priority of the organization. One of the highlights of 2018 was the 7th 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 2018.

The Organization 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, the Organization continued to expand the capacity of the on-site clinic at our office in St. Paul. Additionally, the Organization worked closely with a network of diagnostic providers across the state through the FASD Diagnostic Consortium. The Organization 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 a FASD by incorporating screening into standard protocols and increasing access to employment services for individuals with a FASD. The grant program also funds culturally specific programming in American Indian and African American communities, legal advocacy for students with a FASD, programs that provided family support, and opportunities for young adults with a 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 the Organization in 2018. 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.

Finally, the outreach and education to childbearing aged women is a priority at the Organization. A variety of tools are used to reach women who are pregnant and women who could be pregnant. The Organization coordinates community based grants to agencies who are working to share the prevention message. The Organization 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 2018, a new prevention campaign was created using social media and search engine targeting; this campaign was launched in 2019. 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

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, 2018 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

The Organization 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. The Organization believes that all amounts receivable are fully collectible and all except $15,000 is due within one year; therefore an allowance for doubtful accounts or discount on the receivable with terms extending beyond one year is not recorded. Receivables are generally unsecured.

Certificate of Deposit

The Organization 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 donor restricted to support families participating in the Organization’s programs.

Equipment and Leasehold Improvements, net

Equipment and leasehold improvements purchased with non-grantor funds are 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. Proof Alliance 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 Proof Alliance’s accounts. If the retirements or disposals result in gains or losses, these are recorded as income in the statement of activities.

For equipment purchased with government funds, the grantor retains title to all equipment acquired under its contracts with the Organization. Therefore, property and equipment purchases are recorded as expense when acquired. There were no such purchases for the years ended December 31, 2018 and December 31, 2017.

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 $448,651 and $6,000 were donated in the years ended December 31, 2018 and December 31, 2017, respectively.

A substantial number of volunteers have made significant contributions of their time for the daily operation of Proof Alliance. 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, the Organization classifies resources into two net asset categories pursuant to any donor imposed restrictions and applicable law. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Without Donor Restrictions - Net assets that are not subject to donor imposed stipulations.

With Donor Restrictions - Net assets subject to donor imposed stipulations that will be met by action of the Organization and/or the passage of time.

Revenue Recognition

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

The Organization 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. The Organization generally considers grant contracts with governmental agencies to be exchange transactions.

The Organization 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 donor 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

The Organization 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 the Organization 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 the Organization, and has concluded that as of December 31, 2018 and 2017, 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. The Organization 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. Allocations of expenses for salaries and related expenses, rental expenses and facilities expenses are based on management's best estimates of time and effort.

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.

Reclassifications

For comparability, certain 2017 amounts have been reclassified to conform to classifications adopted in 2018. The reclassifications have no effect on reported amounts of net assets or change in net assets.

New Accounting Pronouncement Adopted on Current Year

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The primary change includes presenting two classes of net assets versus the three categories previously required. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both natural and functional classification. Except for the liquidity and availability disclosure, this standard has been retrospectively applied to the prior period presented with certain transition provisions.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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 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. The Organization is assessing the impact this new standard will have on its financial statements.

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. The Organization is assessing the impact this new standard will have on its financial statements.

During June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments are effective for fiscal years beginning after December 15, 2018 and are intended to be implemented concurrently with ASU 2014-09. The Organization is assessing the impact this standard will have on its financial statements.

NOTE 3 - Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include grants and contributions receivable due in over one year and certificate of deposit with a maturity in excess of one year.

Financial assets	
Cash and cash equivalents	$ 741,383
Grants and contributions receivable	615,345
Certificate of deposit	5,409
Financial assets at December 31, 2018	1,362,137
Less those unavailable for general expenditure within one year	
Grants and contributions receivable	(15,000)
Certificate of deposit	(5,409)
Financial assets not available for expenditure within one year	(20,409)
Financial assets available to meet cash needs for general purposes within one year	$ 1,341,728

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 90 days of operating expense coverage at any point in time.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. The Organization also has available a $75,000 line of credit that can be drawn down if needed to cover operating expenses. See Note 9.

NOTE 4 - Equipment and Leasehold Improvements, net

Equipment and leasehold improvements at December 31, 2018 and 2017 are summarized as follows:

	Depreciable Lives	2018	2017
Leasehold improvements	3 yrs.	$ 10,000	$ 10,000
Software	3 yrs.	40,284	40,284
Total equipment and leasehold improvements		50,284	50,284
Less: Accumulated depreciation		(30,142)	(16,714)
Equipment and leasehold improvements, net		$ 20,142	$ 33,570

NOTE 5 - Net Assets

Net assets with donor restrictions at December 31 are composed of:

	2018	2017
Timing restrictions	$ 376,710	$ 91,243

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were reclassified to net assets without donor restrictions for operations and programs.

NOTE 6 - Concentrations

Government grant revenue for 2018 and 2017 resulted principally from one contract with the Minnesota Department of Health (MDH). The current grant agreement that will expire in June 2019. Subsequent to year end, the Organization entered a new agreement through June 2024. Receivables from MDH at December 31, 2018 and 2017 include approximately $438,000 and $213,000, respectively, for services performed in November and December of 2018 and December of 2017, respectively.

NOTE 7 - Operating Leases

The Organization leases office space, storage space, a copier and postage machine. The leases are accounted for as operating leases. The office space lease expired April 30, 2019. The various equipment leases expire at various dates through September 2021.

Future minimum operating lease payments as of December 31, 2018 are as follows:

2019	$ 24,629
2020	5,704
2021	606
	$ 30,939

Space and equipment rent expense on the operating leases was $63,293 and $61,818 for the years ended December 31, 2018 and 2017, respectively.

Subsequent to year end, the Organization extended the current office space lease through June 2019 at $4,731 per month. On January 24, 2019, the Organization signed an office space lease at a new location. The lease is for 125 months with payments ranging from $5,549 to $7,103 per month.

NOTE 8 - Retirement Plan

For employees meeting certain eligibility requirements, the Organization contributes 3% of the employee's gross wages or the amount of their personal contribution, whichever is less, to their Simple IRA. The Organization's match amounts were $21,482 and $20,549 in 2018 and 2017, respectively.

NOTE 9 - Line of Credit

The Organization 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 the Organization. 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, 2018 and 2017.

NOTE 10 - Commitments and Contingencies

From time to time, the Organization 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 the Organization's financial position.

During 2018, the entire Board of Directors participated in supporting through giving. The Organization received contributions from board members totaling $53,573 and $32, 715 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 - Subsequent Events

The Organization has evaluated subsequent events through May 29, 2019 which is the date that the financial statements were approved and available to be issued.