

ANGEL FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

PREPARED BY:
BWK ROGERS PC
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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BWK Rogers PC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Minneapolis, Minnesota

O. Barry Rogers, CPA
Wylie R. Klawitter, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Angel Foundation

We have audited the accompanying financial statements of Angel Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Angel Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Angel Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Changes in Accounting Principle

As discussed in Note 16 to the financial statements, Angel Foundation implemented the provisions of Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

A handwritten signature in black ink that reads "B. K. Rogers PC". The signature is written in a cursive, flowing style.

June 27, 2019

**ANGEL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 737,533	\$ 554,418
Receivables	49,526	25,038
Inventory	2,645	5,555
Prepaid expenses	<u>24,473</u>	<u>40,824</u>
Total Current Assets	814,177	625,835
Investments	2,311,671	2,394,062
Security deposit	3,259	3,259
Fixed assets, net of accumulated depreciation of \$104,965 and \$91,378 in 2018 and 2017, respectively	<u>13,601</u>	<u>21,269</u>
Total Assets	<u><u>\$ 3,142,708</u></u>	<u><u>\$ 3,044,425</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 31,387	\$ 30,542
EFA grants payable	82,950	86,306
Accrued expenses	38,669	58,254
Deferred revenue	<u>168,315</u>	<u>235,590</u>
Total Liabilities	321,321	410,692
Net Assets		
Without donor restrictions		
Undesignated	942,902	645,313
Board designated	<u>1,309,388</u>	<u>1,375,325</u>
Total Net Assets Without Donor Restrictions	2,252,290	2,020,638
With donor restrictions		
Purpose restrictions	112,791	131,643
Perpetual in nature	<u>456,306</u>	<u>481,452</u>
Total Net Assets With Donor Restrictions	<u>569,097</u>	<u>613,095</u>
Total Net Assets	<u>2,821,387</u>	<u>2,633,733</u>
Total Liabilities and Net Assets	<u><u>\$ 3,142,708</u></u>	<u><u>\$ 3,044,425</u></u>

The accompanying notes are an integral part of these financial statements.

**ANGEL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2018</u>	Total <u>2017</u>
SUPPORT AND REVENUE				
Support				
Contributions	\$ 1,473,878	\$ 50,420	\$ 1,524,298	\$ 1,428,913
Special events revenue, net	644,643	-	644,643	521,711
In-kind donations	<u>235,955</u>	<u>-</u>	<u>235,955</u>	<u>281,396</u>
Total support	2,354,476	50,420	2,404,896	2,232,020
Investment income				
Interest and dividend income	59,357	10,772	70,129	55,984
Investment fees	(7,809)	(2,433)	(10,242)	(9,513)
Net gain on sale of investments	104,528	34,634	139,162	116,216
Unrealized (loss) gain on investments	<u>(231,492)</u>	<u>(68,833)</u>	<u>(300,325)</u>	<u>64,283</u>
Total investment income	(75,416)	(25,860)	(101,276)	226,970
Net assets released from restrictions	<u>68,558</u>	<u>(68,558)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,347,618	(43,998)	2,303,620	2,458,990
EXPENSES				
Program activities:				
EFA	1,109,644	-	1,109,644	1,111,348
FCT	<u>463,767</u>	<u>-</u>	<u>463,767</u>	<u>447,075</u>
Total program activities	1,573,411	-	1,573,411	1,558,423
Support activities:				
Management and general	391,307	-	391,307	426,025
Fundraising	<u>151,248</u>	<u>-</u>	<u>151,248</u>	<u>152,928</u>
Total support activities	<u>542,555</u>	<u>-</u>	<u>542,555</u>	<u>578,953</u>
Total Expenses	<u>2,115,966</u>	<u>-</u>	<u>2,115,966</u>	<u>2,137,376</u>
Change in net assets	231,652	(43,998)	187,654	321,614
Net assets, beginning of year	<u>2,020,638</u>	<u>613,095</u>	<u>2,633,733</u>	<u>2,312,119</u>
Net assets, end of year	<u>\$ 2,252,290</u>	<u>\$ 569,097</u>	<u>\$ 2,821,387</u>	<u>\$ 2,633,733</u>

The accompanying notes are an integral part of these financial statements.

**ANGEL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	Program Activities			Supporting Activities			Total 2018	Total 2017
	FCT	EFA	Total	Management and General	Fundraising	Total		
Salaries	\$ 258,247	\$ 240,107	\$ 498,354	\$ 102,150	\$ 92,414	\$ 194,564	\$ 692,918	\$ 685,257
Payroll taxes	23,377	21,701	45,078	9,853	8,381	18,234	63,312	53,120
Employee benefits	13,601	12,867	26,468	5,512	4,779	10,291	36,759	42,906
Total personnel costs	295,225	274,675	569,900	117,515	105,574	223,089	792,989	781,283
Consultants/professional fees	8,483	-	8,483	155,671	-	155,671	164,154	85,016
Training/education	392	50	442	3,943	250	4,193	4,635	4,764
IT/communication services	10,002	15,220	25,222	8,114	9,300	17,414	42,636	25,350
Supplies	96,255	3,584	99,839	1,398	2,797	4,195	104,034	102,155
Insurance	1,873	1,741	3,614	741	670	1,411	5,025	4,625
Occupancy costs	27,153	25,246	52,399	10,741	21,849	32,590	84,989	71,075
Miscellaneous	205	-	205	2,015	931	2,946	3,151	-
Printing	32	-	32	9,681	-	9,681	9,713	16,819
Postage	2,985	2,558	5,543	2,490	1,182	3,672	9,215	13,635
Marketing/advertising	8,270	-	8,270	73,336	1,598	74,934	83,204	186,127
Travel/entertainment	4,789	3,908	8,697	2,454	4,197	6,651	15,348	24,248
Banking & investment fees	3,039	2,826	5,865	11,448	1,088	12,536	18,401	19,800
Financial assistance	-	775,128	775,128	-	-	-	775,128	795,809
Cost of direct benefits to donors	-	-	-	-	410,720	410,720	410,720	397,808
Depreciation	5,064	4,708	9,772	2,002	1,812	3,814	13,586	16,183
Total expenses by function	463,767	1,109,644	1,573,411	401,549	561,968	963,517	2,536,928	2,544,697
Less expenses included with revenues on the statement of activities								
Investment fees	-	-	-	(10,242)	-	(10,242)	(10,242)	(9,513)
Cost of direct benefits to donors	-	-	-	-	(410,720)	(410,720)	(410,720)	(397,808)
Total expenses included in the expense section on the statement of activities	<u>\$ 463,767</u>	<u>\$ 1,109,644</u>	<u>\$ 1,573,411</u>	<u>\$ 391,307</u>	<u>\$ 151,248</u>	<u>\$ 542,555</u>	<u>\$ 2,115,966</u>	<u>\$ 2,137,376</u>

The accompanying notes are an integral part of these financial statements.

**ANGEL FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 187,654	\$ 321,614
Adjustments:		
Realized and unrealized (gain) on investments	161,163	(180,499)
Depreciation	13,586	16,183
Decrease (increase) in inventory	2,910	(2)
(Increase) in receivables	(24,488)	(10,168)
Decrease (increase) in prepaid expenses	16,351	(5,978)
Increase (decrease) in accounts payable	845	(28,660)
(Decrease) in EFA grants payable	(3,356)	(14,032)
(Decrease) increase in accrued expenses	(19,585)	27,600
(Decrease) in deferred revenue	<u>(67,275)</u>	<u>(62,848)</u>
Net cash provided by operating activities	267,805	63,210
Cash Flows from Investing Activities		
Securities purchased	(517,663)	(357,820)
Securities sold	438,892	267,567
Purchase of fixed assets	<u>(5,919)</u>	<u>-</u>
Net cash (used) by investing activities	<u>(84,690)</u>	<u>(90,253)</u>
Net increase (decrease) in cash and cash equivalents	183,115	(27,043)
Cash and cash equivalents, beginning of year	<u>554,418</u>	<u>581,461</u>
Cash and cash equivalents, end of year	<u>\$ 737,533</u>	<u>\$ 554,418</u>

The accompanying notes are an integral part of these financial statements.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1. ORGANIZATION

Organization

The Angel Foundation (the Foundation), formerly Minnesota Oncology Hematology Foundation, was founded in 2001 as a Minnesota non-profit corporation and is headquartered at 1155 Centre Pointe Drive, Suite 7, Mendota Heights, Minnesota 55120, to help when cancer strikes. Through an innovative and integrated approach of emergency financial assistance, education, and support, Angel Foundation helps adults with cancer and their families so that they may live life well with stability, strength, and resilience.

Description of programs

The Foundation pursues its mission in the following ways:

Emergency Financial Assistance

Emergency financial assistance (EFA) is provided to adult cancer patients in the seven-county metro area of the Twin Cities to meet critical non-medical needs such as mortgage or rent payments, food, utilities, and transportation costs.

Educational Programs

Facing Cancer Together (FCT) is a free education and support program for families facing the challenge of parental cancer while parenting school-aged children. The purpose of the Facing Cancer Together program is to strengthen families as they face the challenge of a parent's cancer diagnosis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Information

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in the excess of FDIC limits. The Foundation has not experienced any losses in such accounts.

Contributions Receivable

Receivables are stated at their net realizable value. No allowance for doubtful accounts has been provided, as management believes all receivables are collectible.

Inventory

Inventory consists of cookbooks, CDs, Hope pins, and journals that are stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Unrealized gains and losses are included in the statement of activities. The investments may involve investment risks, including possible loss of principal invested.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Furniture, equipment, and leasehold improvements are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. Items that cost \$500 or greater and a useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Computers	3 years
Furniture and Equipment	3-5 years
Leasehold Improvements	Life of the Lease

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Deferred Revenue

Deferred revenue consists of support or sponsorship payments received prior to year end for events to be held subsequent to year-end. These amounts will be reflected as support in the period in which the event takes place.

Support and Revenue Recognition

Contributions received are recorded support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as with donor restrictions. When a restriction is satisfied (when a purpose restriction is accomplished or stipulated time restriction ends), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If, however, restricted contributions are received and released from restriction in the same year, the support is recognized as without donor restrictions in the financial statements. Unconditional promises to give are recognized as revenue in the period received and as assets or decreases of liabilities, depending on the form of benefits received. Intentions to give and conditional contributions are recognized when the conditions on which they depend are substantially met.

Donated Material and Services

Contributed services are recorded as contributions, at fair value, when the service creates or enhances a non-financial asset or donation. Some unpaid volunteers have made contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the requirements for recognition in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$83,204 and \$186,127 during the years ended December 31, 2018 and 2017, respectively.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Donations

The Foundation records various types of in-kind support during 2018 and 2017. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived 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. In 2018 and 2017, the Foundation recognized \$235,955 and \$281,396 of in-kind donations.

Recorded in-kind contributions for the years ending December 31 were as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>
Emergency Financial Assistance	\$ 1,835	\$ ---	\$ ---	\$15,970	\$ ---	\$ ---
Marketing/Advertising	688	46,906	---	---	140,887	---
Travel & Entertainment	---	475	400	---	---	1,969
Supplies	13,500	---	---	22,715	356	1,027
Consultants/Professional Fees	---	65,010	---	---	---	---
Special Event Direct Expenses	---	---	<u>107,141</u>	---	---	<u>98,472</u>
Total	<u>\$16,023</u>	<u>\$112,391</u>	<u>\$107,541</u>	<u>\$38,685</u>	<u>\$141,243</u>	<u>\$101,468</u>

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.

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a non-private foundation and contributions to the Foundation qualify as charitable tax deductions.

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.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3. LIQUIDITY AND AVAILABILITY

	<u>2018</u>	<u>2017</u>
Total financial assets	\$3,098,730	\$2,973,518
Donor-imposed restrictions:		
Restricted Funds	(112,791)	(131,643)
Endowments	(456,306)	(613,095)
Net financial assets after donor-imposed restrictions	2,529,633	2,228,780
Internal designations:		
Board Designated Funds	(1,309,388)	(1,375,325)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,220,245</u>	<u>\$ 853,455</u>

The Foundation receives significant contributions and promises to give restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The organization has a policy to target a year-end balance of reserves of undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4. INVESTMENTS

The Foundation's investments are stated at fair value based on quoted prices in active markets (all Level 1 and Level 2 measurements) and consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual Funds (Level 1)	\$2,255,686	\$2,340,804
Non-Traded REITs (Level 2)	<u>55,985</u>	<u>53,258</u>
Total Investments	<u>\$2,311,671</u>	<u>\$2,394,062</u>

The Foundation's investments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4. INVESTMENTS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. In general, the Organization would like the endowment to earn a targeted return that meets or exceeds a 40% equity / 60% fixed benchmark, measured by the Morningstar Moderately Conservative Target Risk Index. Actual performance (net of fees) shall be measured on a calendar year basis, as well as compared to the benchmark on rolling 1, 3, 5, and 10 year timeframes. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Distributions from the fund will be determined by the fund's spending policy, as defined from time to time by the Board. The Board will consider preservation of principal, protection from long-term effects of inflation, expected total return on investments over a long-term period, and other relevant general economic conditions when establishing or modifying such spending policy. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a rate consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment fund	\$ ---	\$456,306	\$ 456,306	\$ ---	\$481,452	\$ 481,452
Board-designated endowment fund	<u>1,309,388</u>	<u>---</u>	<u>1,309,388</u>	<u>1,375,325</u>	<u>---</u>	<u>1,375,325</u>
Total funds	<u>\$1,309,388</u>	<u>\$456,306</u>	<u>\$1,765,694</u>	<u>\$1,375,325</u>	<u>\$481,452</u>	<u>\$1,856,777</u>

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4. INVESTMENTS (CONTINUED)

Changes in endowment net assets as of December 31, 2018 and 2017 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net Endowment <u>Assets</u>
Endowment net assets, January 1, 2017	\$1,286,166	\$407,143	\$1,693,309
Contributions	---	18,100	18,100
Investment return, net	<u>89,159</u>	<u>56,209</u>	<u>145,368</u>
Endowment net assets, December 31, 2017	1,375,325	481,452	1,856,777
Investment return, net	<u>(65,937)</u>	<u>(25,146)</u>	<u>(91,083)</u>
Endowment net assets, December 31, 2018	<u>\$1,309,388</u>	<u>\$3,194,142</u>	<u>\$1,765,694</u>

NOTE 5. FAIR VALUE

Angel Foundation adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in these three broad levels:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The Mutual Funds held by Angel Foundation at December 31, 2018 and 2017 are Level 1 assets valued using a market approach, and the Non-Traded REITs are Level 2 assets valued using a market approach. There were no changes in the valuation techniques during the current year.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6. CONTINGENCIES

Substantially all support is received in the form of grants and contributions from various, individuals, corporations and foundations. Therefore, the continuation of programs of the Foundation is dependent upon future funding.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the Foundation to the provisions of the gift.

NOTE 7. FIXED ASSETS

Fixed assets consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Computers & Equipment	\$110,274	\$104,355
Leasehold Improvements	8,292	8,292
Less: Accumulated Depreciation	<u>(104,965)</u>	<u>(91,378)</u>
Net Fixed Assets	<u>\$ 13,601</u>	<u>\$ 21,269</u>

Depreciation expense was \$13,586 and \$16,183 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8. EMERGENCY FINANCIAL ASSISTANCE

The Foundation provides emergency financial assistance in the form of grants for basic non-medical needs and necessities such as helping with housing payments, utilities, food and other essential living expenses to individuals diagnosed with cancer. Patient grant requests must be made by a health care professional. The Foundation requires the patient to submit a copy of the bill or other documentation that an expense was incurred. At that time, the Foundation will submit a check to the vendor for expenses incurred. The commitment for approved grant requests as of December 31, 2018 and 2017 was \$82,950 and \$86,306, respectively, as reported on the Statement of Financial Position. The internal policy for maximum grant award ranges from \$500 for a household of one person to \$850 for a household of five or more people. Emergency financial assistance expenses total \$775,128 and \$795,809 for the years ended December 31, 2018 and 2017, respectively.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Brain cancer financial assistance	\$ ---	\$ 20,556
Breast cancer financial assistance	9,706	8,902
Financial assistance for Fridley residents	2,900	---
Other financial assistance	<u>100,185</u>	<u>102,185</u>
	112,791	131,643
Endowments:		
Subject to endowment spending policy and appropriation:		
General operating expenses	<u>456,306</u>	<u>481,452</u>
Total Net Assets with Donor Restrictions	<u>\$569,097</u>	<u>\$613,095</u>

NOTE 10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Brain cancer financial assistance	\$20,556	\$11,973
Breast cancer financial assistance	38,902	16,098
Financial assistance for Fridley residents	7,100	---
Other financial assistance	<u>2,000</u>	<u>7,350</u>
Total Net Assets Released from Restrictions	<u>\$68,558</u>	<u>\$35,421</u>

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11. SPECIAL EVENTS REVENUE

Special events revenue is calculated net of revenue and expenses. Gross revenues and expenses for each event are as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Gala	\$ 634,881	\$300,773	\$334,108	\$615,576	\$318,891	\$296,685
Golf	220,627	55,402	165,225	222,295	60,747	161,548
After Hours	20,200	6,459	13,741	30,281	10,605	19,676
Camp Luncheon	91,066	20,970	70,096	51,367	7,565	43,802
Swing Back	24,952	8,832	16,120	---	---	---
Tri 4	35,714	11,975	23,739	---	---	---
Angel Run	<u>27,923</u>	<u>6,309</u>	<u>21,614</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$1,055,363</u>	<u>\$410,720</u>	<u>\$644,643</u>	<u>\$919,519</u>	<u>\$397,808</u>	<u>\$521,711</u>

NOTE 12. RETIREMENT PLAN

The employees of Angel Foundation may contribute to a 401(k) retirement plan. The Foundation matches up to 4% of gross wages. Contributions to the plan for the years ended December 31, 2018 and 2017, were \$20,872 and \$23,314, respectively.

NOTE 13. OPERATING LEASES

The Angel Foundation leases office equipment under an operating lease that started in May 2013, was renewed in July 2015, and will expire in June 2020. Rent expense for this office equipment was \$2,408 and \$2,408 for the years ended December 31, 2018 and 2017, respectively.

Beginning on July 1, 2015, the Foundation leases office space under a lease set to expire in November 2020. Rent expense for this lease was \$62,544 and \$61,673 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments for these leases are as follows as of December 31, 2018:

	<u>Equipment</u>	<u>Space</u>	<u>Total</u>
2019	\$2,408	\$38,152	\$40,560
2020	<u>1,204</u>	<u>40,062</u>	<u>41,266</u>
Total	<u>\$3,612</u>	<u>\$78,214</u>	<u>\$81,826</u>

The future minimum lease payments for space do not include the additional rent amounts for property taxes and operating expenses as required by the office space leases because the additional rent amounts are not yet known.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the financial statements were issued, June 27, 2019. There are no subsequent events required to be disclosed in accordance with accounting standards.

NOTE 15. INCOME TAX UNCERTAINTIES

The Foundation follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for the uncertainty in income taxes recognized in the entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Foundation's financial statements.

The Foundation's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2014 to 2018 are open to examination by federal, state, and local authorities.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets previously reported.