

Spare Key

Financial Statements and Independent Auditor's Report

December 31, 2014 and 2013



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spare Key

We have audited the accompanying financial statements of Spare Key (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audit 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 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 Spare Key as of December 31, 2014 and 2013, 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.

Bombey, Roach & Hanson, PLLC

Minneapolis, Minnesota
July 15, 2015

Spare Key
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 175,016	\$ 248,865
Prepaid Expenses	11,770	11,160
Total Current Assets	186,786	260,025
OFFICE EQUIPMENT		
Office Equipment	4,641	4,061
Less Accumulated Depreciation	(4,056)	(4,040)
Office Equipment, net	585	21
Total Assets	\$ 187,371	\$ 260,046
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,018	\$ 5,665
Accrued Liabilities	3,580	5,403
Deferred Revenue	41,750	25,025
Total Current Liabilities	51,348	36,093
NET ASSETS		
Unrestricted	121,231	223,953
Temporarily Restricted	14,792	-
Total Net Assets	136,023	223,953
Total Liabilities and Net Assets	\$ 187,371	\$ 260,046

The accompanying notes are an integral part of these financial statements

Spare Key
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Contributions	\$ 478,804	\$ 14,792	\$ 493,596	\$ 930,869	\$ -	\$ 930,869
Special Events	381,271	-	381,271	205,458	-	205,458
Other	172	-	172	2,494	-	2,494
Total Revenue	860,247	14,792	875,039	1,138,821	-	1,138,821
EXPENSES						
Mortgage Assistance	754,122	-	754,122	992,177	-	992,177
Special Events	129,925	-	129,925	130,377	-	130,377
Fundraising	59,522	-	59,522	78,702	-	78,702
Management and General	19,399	-	19,399	16,311	-	16,311
Total Expenses	962,969	-	962,969	1,217,567	-	1,217,567
Excess (Deficiency) of Revenues over Expenses	(102,722)	14,792	(87,930)	(78,746)	-	(78,746)
Net Assets Released from Restriction	-	-	-	-	-	-
Change in Net Assets	(102,722)	14,792	(87,930)	(78,746)	-	(78,746)
Net Assets, Beginning of Year	223,953	-	223,953	302,699	-	302,699
Net Assets, End of Year	<u>\$ 121,231</u>	<u>\$ 14,792</u>	<u>\$ 136,023</u>	<u>\$ 223,953</u>	<u>\$ -</u>	<u>\$ 223,953</u>

The accompanying notes are an integral part of these financial statements

Spare Key
Statement of Functional Expenses
Year Ended December 31, 2014

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 151,319	\$ 10,088	\$ 30,264	\$ 10,088	\$ 201,759
Payroll Taxes and Benefits	36,486	2,432	7,297	2,432	48,648
Total Personnel Costs	<u>187,805</u>	<u>12,520</u>	<u>37,562</u>	<u>12,520</u>	<u>250,407</u>
Program Costs	452,215	94,326	-	-	546,541
Professional Fees, Consultants and Contract Labor	11,337	6,388	1,712	1,438	20,875
Utilities	2,414	322	-	483	3,219
Depreciation	8	2	3	3	16
Insurance	2,571	-	-	-	2,571
Printing and Postage	19,829	2,778	4,216	432	27,255
Advertising	27,211	10,610	5,351	-	43,172
Rent	17,674	2,357	1,178	2,357	23,566
Meals and Travel	3,276	111	1,429	505	5,321
Bank and Credit Card Processing Fees	-	-	2,625	-	2,625
Office Supplies	3,862	-	-	682	4,544
Other	<u>25,920</u>	<u>511</u>	<u>5,447</u>	<u>979</u>	<u>32,857</u>
	<u>\$ 754,122</u>	<u>\$ 129,925</u>	<u>\$ 59,522</u>	<u>\$ 19,399</u>	<u>\$ 962,969</u>

The accompanying notes are an integral part of this financial statement.

Spare Key
Statement of Functional Expenses
Year Ended December 31, 2013

	<u>Mortgage Assistance</u>	<u>Special Events</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 140,553	\$ 8,268	\$ 8,268	\$ 8,268	\$ 165,357
Payroll Taxes and Benefits	31,725	1,866	1,866	1,866	37,323
Total Personnel Costs	<u>172,278</u>	<u>10,134</u>	<u>10,134</u>	<u>10,134</u>	<u>202,680</u>
Program Costs	500,256	75,260	-	-	575,516
Professional Fees, Consultants and Contract Labor	20,587	1,281	13,419	1,281	36,568
Utilities	2,440	322	44	418	3,224
Depreciation	3	1	1	1	6
Insurance	2,250	-	-	-	2,250
Printing and Postage	56,031	748	12,980	748	70,507
Advertising	152,151	36,193	22,208	-	210,552
Rent	12,066	1,609	804	1,609	16,088
Meals and Travel	2,990	349	377	523	4,239
Bank and Credit Card Processing Fees	1,034	4,137	1,809	-	6,980
Office Supplies	4,577	-	-	808	5,385
Other	65,514	343	16,926	789	83,572
	<u>\$ 992,177</u>	<u>\$ 130,377</u>	<u>\$ 78,702</u>	<u>\$ 16,311</u>	<u>\$ 1,217,567</u>

The accompanying notes are an integral part of this financial statement

Spare Key
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in Net Assets	\$ (87,930)	\$ (78,746)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities		
Depreciation	16	6
Change in Operating Assets and Liabilities		
Prepaid Expenses	(610)	6,420
Accounts Payable	353	2,785
Accrued Liabilities	(1,823)	33
Deferred Revenue	16,725	22,275
Net Cash Used In Operating Activities	(73,269)	(47,227)
 Cash Flows from Investing Activities		
Purchase of Office Equipment	(580)	-
 Change in Cash	(73,849)	(47,227)
 Cash at Beginning of Year	248,865	296,092
 Cash at End of Year	\$ 175,016	\$ 248,865

Spare Key
Notes To Financial Statements
December 31, 2014 and 2013

1. Organization

Spare Key (the Organization) was incorporated on September 10, 1997 as a Minnesota nonprofit corporation. Spare Key provides assistance to homeowners and renters in Minnesota, North Dakota, South Dakota, and Wisconsin with a critically ill or seriously injured child by making mortgage and rent payments on the family's behalf, allowing them to spend time with their child.

2. Summary of Significant Accounting Policies

Classes of Net Assets

The net assets of the Organization are segregated into two classes:

Unrestricted – This class of net assets includes resources which the Board of Directors has discretion to use in carrying out the Organization's operations.

Temporarily Restricted – This class of net assets includes resources whose use by the Organization is limited by donor restrictions related to time period or specified purpose.

Cash and Equivalents

For purposes of the statement of cash flows the Organization considers investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at two financial institutions located in Minneapolis, Minnesota. At times, such balances may be in excess of Federal Deposit Insurance Corporation limits.

Office Equipment

Office equipment is recorded at cost or, in the case of contributed property, at fair value at the date of contribution. Expenditures for replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed as incurred. At the time assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the Statement of Activities.

Office equipment is depreciated using the straight-line method over lives of three to seven years.

Spare Key
Notes To Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged.

Contributions that are temporarily restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restriction. When the restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Special Events

Revenues received at the time special events are conducted are recognized at the time of contribution. Revenues received for sponsorship of special events in advance of the event's occurrence are deferred and recognized at the time the related event is conducted.

Donated Services, Materials and Equipment

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. In 2014 the Organization received in-kind donations totaling \$62,000 which were comprised of donated advertising of \$22,500, donated materials of \$22,000 and donated specialized services of \$17,500. In 2013 the Organization received in-kind donations totaling \$297,500 which were comprised of donated advertising of \$187,500, donated materials of \$60,000 and donated specialized services of \$50,000.

Functional Expenses

Expenses incurred in providing programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Salaries and related expenses are allocated among the program and supporting activities categories based upon the actual time expended by the employees in those categories. Other costs are allocated according to management's estimates or on a direct basis.

Spare Key
Notes To Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred and totaled \$43,172 and \$210,552 in 2014 and 2013.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and similar state statutes.

Fair Values of Financial Instruments

Due to their short term nature, the carrying values of the Organization's current financial assets and liabilities approximate their fair value.

Use of 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 amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2014:

Mortgage and Rental Payments for North Dakota Recipients	\$ 9,698
Mortgage and Rental Payments for Wisconsin Recipients	<u>5,094</u>
	<u><u>\$ 14,792</u></u>

There were no temporarily restricted net assets at December 31, 2013.

Spare Key
Notes To Financial Statements
December 31, 2014 and 2013

4. Operating Leases

The Organization conducts its operations in facilities leased under an operating lease expiring in September 2017. Rent expense for leased facilities was \$19,375 and \$16,088 in 2014 and 2013. Future minimum required payments under the lease are as follows for the years ended December 31:

2015	\$	21,688
2016		24,750
2017		<u>18,563</u>
	\$	<u>65,001</u>

5. Subsequent Events

Subsequent events through July 15, 2015, the date the financial statements were available for issuance, have been considered for recording or disclosure in these financial statements. There were no material subsequent events requiring recognition or disclosure in these financial statements.