

PINKY SWEAR FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**PINKY SWEAR FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinky Swear Foundation
Edina, Minnesota

We have audited the accompanying financial statements of Pinky Swear Foundation (the Organization) which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

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 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 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.

Board of Directors
Pinky Swear Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinky Swear Foundation as of December 31, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 11, 2020

**PINKY SWEAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 498,882	\$ 623,098
Pledge Receivables	2,093,100	68,738
Prepaid Expenses and Other Assets	84,254	73,385
Total Current Assets	2,676,236	765,221
INVESTMENTS	280,045	251,379
PROPERTY AND EQUIPMENT, NET	15,483	10,596
Total Assets	\$ 2,971,764	\$ 1,027,196
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 42,248	\$ 38,621
Accrued Expenses	86,028	59,550
Deferred Revenue	18,100	17,780
Total Current Liabilities	146,376	115,951
NET ASSETS		
Without Donor Restrictions	16,135	71,743
With Donor Restrictions:		
Net Assets Restricted by Time or Purpose	1,059,253	589,502
Net Assets Held in Perpetuity	1,750,000	250,000
Total Net Assets	2,825,388	911,245
Total Liabilities and Net Assets	\$ 2,971,764	\$ 1,027,196

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions - Businesses	\$ 438,548	\$ 87,500	\$ 526,048	\$ 275,996	\$ 30,000	\$ 305,996
Contributions - Foundations	68,528	2,162,000	2,230,528	390,705	60,000	450,705
Contributions - Individuals	355,055	-	355,055	368,318	30,755	399,073
Special Events, Net of Direct Expenses of \$207,162 and \$121,639, Respectively	899,064	36,500	935,564	639,012	7,578	646,590
Donated Goods and Services	185,235	-	185,235	168,780	-	168,780
Gain on Sale of Property and Equipment	-	-	-	23,342	-	23,342
Investment Income	26,108	28,666	54,774	982	1,379	2,361
Released from Restriction	344,915	(344,915)	-	449,183	(449,183)	-
Total Support and Revenues	<u>2,317,453</u>	<u>1,969,751</u>	<u>4,287,204</u>	<u>2,316,318</u>	<u>(319,471)</u>	<u>1,996,847</u>
EXPENSES						
Program Services	1,817,198	-	1,817,198	1,549,422	-	1,549,422
Support Services:						
General and Administrative	139,991	-	139,991	156,238	-	156,238
Fundraising	415,872	-	415,872	360,834	-	360,834
Total Expenses	<u>2,373,061</u>	<u>-</u>	<u>2,373,061</u>	<u>2,066,494</u>	<u>-</u>	<u>2,066,494</u>
CHANGES IN NET ASSETS	(55,608)	1,969,751	1,914,143	249,824	(319,471)	(69,647)
Net Assets - Beginning of Year	<u>71,743</u>	<u>839,502</u>	<u>911,245</u>	<u>(178,081)</u>	<u>1,158,973</u>	<u>980,892</u>
NET ASSETS - END OF YEAR	<u>\$ 16,135</u>	<u>\$ 2,809,253</u>	<u>\$ 2,825,388</u>	<u>\$ 71,743</u>	<u>\$ 839,502</u>	<u>\$ 911,245</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Family Support	Youth Development	Education/ Awareness	Total Program	Management and General	Fundraising	Total
Program Expenses:							
All Star Fund Grants	\$ 404,350	\$ -	\$ -	\$ 404,350	\$ -	\$ -	\$ 404,350
Orange Envelope Grants	134,000	-	-	134,000	-	-	134,000
Experience Grants	178,322	-	-	178,322	-	-	178,322
Salaries	219,697	73,876	250,185	543,758	78,456	220,676	842,890
Employee Benefits	22,093	7,429	25,159	54,681	7,890	22,192	84,763
Payroll Taxes	18,214	6,125	20,743	45,082	6,505	18,296	69,883
Program Events	-	-	279,639	279,639	-	-	279,639
Professional Fees	1,964	-	-	1,964	14,022	13,838	29,824
Marketing	-	-	31,100	31,100	-	15,845	46,945
Telephone and Technology	7,037	2,749	19,572	29,358	4,948	16,273	50,579
Bank Charges	6	-	-	6	2,239	33,661	35,906
Travel	1,019	8	10,861	11,888	1,657	10,370	23,915
Office Supplies	14,759	-	-	14,759	2,154	6,183	23,096
Repairs and Maintenance	14,018	-	-	14,018	2,046	5,872	21,936
Dues and Fees	1,608	628	4,473	6,709	1,131	3,719	11,559
Rent and Utilities	31,425	-	-	31,425	4,586	13,165	49,176
Depreciation Expense	2,090	-	-	2,090	304	875	3,269
Postage and Freight	2,131	833	5,928	8,892	1,499	4,929	15,320
Insurance	5,731	-	-	5,731	836	2,401	8,968
Interest	-	-	-	-	116	-	116
Payroll Processing Fees	470	184	1,307	1,961	330	1,086	3,377
Training	496	193	1,377	2,066	348	1,145	3,559
Special Event Expense	-	-	-	-	-	207,162	207,162
Miscellaneous Expenses	8,155	892	6,352	15,399	10,924	25,346	51,669
Subtotal	<u>1,067,585</u>	<u>92,917</u>	<u>656,696</u>	<u>1,817,198</u>	<u>139,991</u>	<u>623,034</u>	<u>2,580,223</u>
Special Event Expense	-	-	-	-	-	(207,162)	(207,162)
Total Expenses	<u>\$ 1,067,585</u>	<u>\$ 92,917</u>	<u>\$ 656,696</u>	<u>\$ 1,817,198</u>	<u>\$ 139,991</u>	<u>\$ 415,872</u>	<u>\$ 2,373,061</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Family Support	Youth Development	Education/ Awareness	Total Program	Management and General	Fundraising	Total
Program Expenses:							
All Star Fund Grants	\$ 336,439	\$ -	\$ -	\$ 336,439	\$ -	\$ -	\$ 336,439
Orange Envelope Grants	147,950	-	-	147,950	-	-	147,950
Experience Grants	78,385	-	-	78,385	-	-	78,385
Salaries	248,301	63,226	202,804	514,331	66,437	154,085	734,853
Employee Benefits	29,984	7,635	24,491	62,110	8,023	18,607	88,740
Payroll Taxes	20,061	5,108	16,385	41,554	5,368	12,449	59,371
Program Events	12,164	48,655	136,500	197,319	-	-	197,319
Professional Fees	-	-	7,774	7,774	43,634	69,965	121,373
Marketing	2,179	4,000	20,526	26,705	7,889	26,083	60,677
Telephone and Technology	11,515	3,900	14,300	29,715	3,807	7,336	40,858
Bank Charges	2,038	-	68	2,106	3,152	26,428	31,686
Travel	451	106	2,802	3,359	-	19,930	23,289
Office Supplies	6,459	2,188	8,022	16,669	2,136	4,115	22,920
Repairs and Maintenance	5,800	1,964	7,203	14,967	1,918	3,695	20,580
Dues and Fees	5,422	1,837	6,734	13,993	1,793	3,455	19,241
Rent and Utilities	4,288	1,452	5,325	11,065	1,418	2,732	15,215
Depreciation Expense	3,588	1,227	4,500	9,315	1,234	2,308	12,857
Postage and Freight	3,900	1,321	4,842	10,063	1,289	2,484	13,836
Insurance	3,189	1,080	3,960	8,229	1,054	2,031	11,314
Interest	2,540	860	3,156	6,556	2,983	1,619	11,158
Payroll Processing Fees	1,162	394	1,443	2,999	384	740	4,123
Meeting Expenses	-	-	-	-	1,178	-	1,178
Training	257	87	319	663	85	164	912
Special Event Expense	-	-	-	-	-	121,639	121,639
Miscellaneous Expenses	3,168	855	3,133	7,156	2,456	2,608	12,220
Subtotal	<u>929,240</u>	<u>145,895</u>	<u>474,287</u>	<u>1,549,422</u>	<u>156,238</u>	<u>482,473</u>	<u>2,188,133</u>
Special Event Expense	-	-	-	-	-	(121,639)	(121,639)
Total Expenses	<u>\$ 929,240</u>	<u>\$ 145,895</u>	<u>\$ 474,287</u>	<u>\$ 1,549,422</u>	<u>\$ 156,238</u>	<u>\$ 360,834</u>	<u>\$ 2,066,494</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,914,143	\$ (69,647)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	3,269	12,857
Debt Issuance Cost Amortization	-	1,295
Gain on Sale of Property and Equipment	-	(23,342)
Realized and Unrealized (Gains) Losses on Investments	(19,568)	-
(Increase) Decrease in Current Assets:		
Pledge Receivables	(2,024,362)	(43,738)
Prepaid Expenses and Other Assets	(10,869)	16,926
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,627	(6,226)
Accrued Expenses	26,478	5,377
Deferred Revenue	320	(22,435)
Net Cash Used by Operating Activities	(106,962)	(128,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(261,479)	(1,379)
Proceeds from Sale of Investments	252,381	-
Purchase of Property and Equipment	(8,156)	(8,012)
Proceeds from Sale of Property and Equipment	-	250,242
Net Cash Provided (Used) by Investing Activities	(17,254)	240,851
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Capital Lease Obligation	-	(10,991)
Payments on Notes Payable	-	(38,898)
Net Cash Provided (Used) by Financing Activities	-	(49,889)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124,216)	62,029
Cash and Cash Equivalents - Beginning of Year	623,098	561,069
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 498,882	\$ 623,098
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 116	\$ 9,922

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pinky Swear Foundation (the Organization) was organized August 8, 2003 as a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code (IRC) and Minnesota state law. The Organization does not believe it has engaged in any activity that would threaten its exempt status. Contributions to the Organization are tax deductible within the limitations prescribed by the IRC.

Family Support

The hardships inflicted on families because of childhood cancer are often not quantifiable. The financial burden of increased expenses, often while income is decreased due to reduced work hours, lost jobs, or unpaid, extended leave can be overwhelming. Pinky Swear Foundation's financial assistance and family experience programs provide immediate help and priceless stress relief to families in need. Since 2003, Pinky Swear Foundation has supported families' quality-of-life with direct financial aid for basic needs, and through experiences that create emotional support, including:

- **Stable Housing:** Rent and mortgage payments
- **Reliable Transportation:** Auto payments, repairs, and gas cards
- **Groceries:** Food on the table for kids and families
- **Payments for Bills:** Utilities, child care, and other basic needs
- **Memorable Experiences:** Worry-free, quality time together as a family
- **Convenient, Stocked Food Pantries in Hospitals:** Allows parents/family members to stay with their sick child and reduce expenses

Youth Development

The exponential impact of the Pinky Swear story is fueled by the selfless act 9-year-old Mitch performed as a promise with his father. Pinky Swear Foundation encourages personal development of young leaders through goal setting and entrepreneurship, while helping kids with cancer. As ambassadors of Pinky Swear Foundation, youth learn about community service and leadership skills, and become change makers and advocates in their communities. Pinky Swear Youth Leadership Councils (YLCs) and other youth development activities embrace the servant-leadership mentality inspired by the original Pinky Swear.

- **Youth Leadership Council:** Engages kids by building peer-to-peer awareness while developing relevant skills to form impactful leaders in the community.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Education/Awareness

The financial and emotional impacts of a childhood cancer diagnosis on a family are tremendous and often overwhelming. Pinky Swear Foundation is passionately committed to increasing the awareness and understanding of childhood cancer and its impact on patient families through telling patient's stories. By sharing stories, photos, and videos featuring Pinky Swear All-Stars (kids with cancer), the financial and emotional hardships real families face become tangible and relatable. A mix of communication channels including social media, website, email, advertising, public speaking engagements, and public relations are utilized to demonstrate the impact Pinky Swear Foundation has on our All-Star families and how others are able to help.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Support and revenue is recognized when it is earned, and expenses are recognized when they are incurred.

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 certain 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. Accordingly, actual results could differ from those estimates.

Concentration of Risk

Cash Deposits In Excess of Federally Insured Limit

The Organization maintains cash balances at various financial institutions in Minnesota, which at times may exceed federally insured limits. The Organization has not experienced losses on these accounts, and management believes the Organization is not exposed to significant credit risks on cash and cash equivalents.

Revenue Concentrations

For the year ended December 31, 2019, there was one donor that represented 47% of total support and revenues. For the year ended December 31, 2018, there was one donor that represented 15% of total support and revenues.

Pledges Receivable

For the year ended December 31, 2019, there was one donor that represented 96% of pledge receivables. For the year ended December 31, 2018, there were two donors that represented 92% of pledge receivables.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentations

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

Net Assets Without Donor Restrictions – Resources that are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the Organization or the passage of time; or b) require that they be maintained in perpetuity by the Organization; generally, the donors of these assets permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of statement of net asset presentation and reporting of cash flows, the Organization considers all demand deposits and highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

Pledges Receivable

Pledges receivable are recorded at fair value at the time of the gift. Conditional pledges are not included as support until such time as the conditions are substantially met. Pledges receivable that are expected to be collected in greater than one year are recorded at the present value of the amounts expected to be collected using a discount rate reflective of the market and conditions at the time of the gift. Amortization of the discount is included in contribution revenue. As of December 31, 2019 and 2018, all amounts are expected to be collected in one year. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for pledges when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the pledges are written off against the related allowance. At December 31, 2019 and 2018, an allowance was not warranted.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or the estimated value on the date of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years for furniture and equipment, three years for website and 39 years for the building.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Deferred Revenue

Deferred revenue consists of revenue received in advance of the period in which it is earned. Deferred revenue consists primarily of special event revenue for table sales received in advance for future special events.

Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. All contributions are available for use unless specifically restricted by the donor.

Contributed materials, fixed assets, or investments are recorded at fair value when received.

Contributions with donor-imposed restrictions that are met in the same year as they are received are reported as revenues without donor restrictions. Contributions with donor-imposed restrictions that are not met in the same year as they are received are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when the donor-imposed condition is met.

Special event revenue includes income for table sales for certain events. This income is recorded as the implied performance obligations are met at the point in time the events are held. At December 31, 2019, there was \$102,400 of income included in special event revenue on the statement of activities for table sales.

Donated Goods and Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period in which they were promised.

Several individuals volunteer their time and perform a variety of tasks that assist the Organization, but do not meet the criteria for recognition as contributed services and have not been reported in these financial statements.

Advertising and Marketing

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing costs charged to expense for the years ended December 31, 2019 and 2018 were \$46,945 and \$60,677, respectively.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on salary allocations and the best estimates of management. All Star Fund grants, Orange Envelope grants and experience grants are all directly allocated to program expenses.

Fair Value Measurements

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

Income Taxes

The Organization has a tax-exempt status under Section 501(c)(3) of the IRC and Minnesota Statute and corresponding tax codes. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During the years ended December 31, 2019 and 2018, the Organization did not have any uncertain tax positions.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Principle

In 2019, the Organization early adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption using the modified retrospective approach of the new standard.

The Organization also adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made* during 2019. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. The implementation of this standard had no impact on the change in net assets as previously reported.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 11, 2020, the date the financial statements were available to be issued. The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including events, fundraising activities and the following:

- During the period from January 1, 2020 through August 11, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.
- The Organization applied for and received \$177,700 Paycheck Protection Program loan with 1% interest on April 21, 2020. The loan matures on April 21, 2022 and monthly payments begin on November 21, 2020. The loan shall be used for payroll costs and facility costs and may be forgiven if certain criteria are met.

Management believes that Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019 as these events occurred subsequent to year-end and are still developing.

NOTE 2 LIQUIDITY

Pinky Swear Foundation received donations to help support its mission of supporting families with children battling cancer both financially and emotionally. The Organization received funds that are not subject to donor-imposed restrictions and others that are subject to donor-imposed restrictions either temporarily or in perpetuity.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. If there is a short fall in liquidity, the Organization has a line of credit of \$100,000. A balanced annual budget is reviewed and approved by the board of directors annually. The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents liquid financial assets available for general expenditures within one year at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 498,882	\$ 623,098
Pledges Receivable Within One Year	<u>2,093,100</u>	<u>68,738</u>
Accounts Receivable		
Liquid Financial Assets Available To Meet		
General Expenditures Within One Year	2,591,982	691,836
Less Those Unavailable for General Expenditures		
Within One Year, Due to Contractual or		
Donor-Imposed Time or Purpose Restrictions	<u>(2,422,753)</u>	<u>(481,924)</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year:	<u>\$ 169,229</u>	<u>\$ 209,912</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment was as follows at December 31:

	<u>2019</u>	<u>2018</u>
Building and Improvements	\$ 11,491	\$ 3,335
Furniture and Equipment	66,130	66,130
Website	<u>21,449</u>	<u>21,449</u>
Total Property and Equipment	99,070	90,914
Less: Accumulated Depreciation	<u>83,587</u>	<u>80,318</u>
Property and Equipment, Net	<u>\$ 15,483</u>	<u>\$ 10,596</u>

Depreciation expense was \$3,270 and \$12,857 for the years ended December 31, 2019 and 2018, respectively.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS

Investments consisted of the following at December 31:

	2019	2018
Cash Equivalents	\$ 10,002	\$ 251,379
Mutual Funds - Equities	135,913	-
Mutual Funds - Fixed Income	134,130	-
Total Investments	<u>\$ 280,045</u>	<u>\$ 251,379</u>

NOTE 5 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis consisted of the following as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 135,913	\$ -	\$ -	\$ 135,913
Mutual Funds - Fixed Income	134,130	-	-	134,130
Total	<u>270,043</u>	<u>-</u>	<u>-</u>	<u>270,043</u>
Cash and Cash Equivalents	-	-	-	10,002
Total	<u>\$ 270,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,045</u>
	2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ -	\$ -	\$ -	\$ -
Mutual Funds - Fixed Income	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents	-	-	-	251,379
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,379</u>

NOTE 6 LINE OF CREDIT

The Organization has a \$100,000 line of credit available with a bank. The line of credit has an interest rate of 1.45% over the U.S. Prime index rate, but not lower than 4.70%. The line of credit matures July 29, 2020 and is secured by generally all assets of the Organization. The balance outstanding was \$-0- as of December 31, 2019 and 2018.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Total net assets with donor restrictions consisted of the following as of December 31:

	2019	2018
Restricted by Passage of Time	\$ 336,500	\$ 407,578
Restricted for Family Assistance Programs	722,753	181,924
Restricted Endowment Held in Perpetuity	1,750,000	250,000
Total	\$ 2,809,253	\$ 839,502

Net assets were released from donor restrictions as expenses were incurred satisfying the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended December 31:

	2019	2018
Restricted by Passage of Time	\$ 107,578	\$ 175,678
Restricted for Family Assistance Programs	237,337	273,505
Total	\$ 344,915	\$ 449,183

NOTE 8 ENDOWMENT

The Organization's endowment consists of a fund established to support programs and grants to families in Minnesota, Nebraska, and Illinois. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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.

Investment Objectives and Spending Policy

The Organization adopted an investment and spending policy in January 2019 for the endowment. The investment objective of the endowment fund is to achieve a total return (income and appreciation) of 5% after inflation and fees over a full market cycle of three to five years. Each year, the Organization is authorized to draw up to 5% of the total market value of the endowment account for the Organization's operating purposes and must be in accordance with any donor restrictions. The spending percentage is calculated as 5% of the 16-quarter rolling average, using prior quarterly statements up through six months prior to the start of the budget year.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Organization.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and 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 Organization
- (7) The investment policies of the Organization.

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Endowment Net Assets, January 1, 2019	\$ -	\$ 251,379	\$ 251,379
Investment Return:			
Net Realized and Unrealized Gains	-	19,568	19,568
Investment Income	-	9,098	9,098
Total Investment Return	-	28,666	28,666
Endowment Net Assets, December 31, 2019	<u>\$ -</u>	<u>\$ 280,045</u>	<u>\$ 280,045</u>
	Without Donor Restrictions	With Donor Restrictions	2018 Total
Endowment Net Assets, January 1, 2018	\$ -	\$ 250,000	\$ 250,000
Investment Return:			
Net Realized and Unrealized Gains	-	-	-
Investment Income	-	1,379	1,379
Total Investment Return	-	1,379	1,379
Endowment Net Assets, December 31, 2018	<u>\$ -</u>	<u>\$ 251,379</u>	<u>\$ 251,379</u>

No board-designated endowments existed at December 31, 2019 and 2018.

NOTE 9 EMPLOYEE BENEFIT PLAN

The Organization sponsors Simple IRA retirement plan covering all employees meeting certain eligibility requirements. The Organization may make matching contributions to the plan at the discretion of the board of directors. Employer contributions to the plan were \$18,959 and \$17,079 during the years ended December 31, 2019 and 2018, respectively.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 DONATED GOODS AND SERVICES

The Organization receives various donated goods and services for the assistance given to families and different events organized by the Organization. The Organization records in-kind contributions at estimated fair market value at the date of donation and are classified in donated goods and services and special events in the accompanying financial statements and a corresponding expense/asset in the categories listed below.

These items would need to be purchased if not donated to the Organization for the years ended December 31:

<u>Category</u>	<u>2019</u>	<u>2018</u>
Program - Family Support	\$ 171,642	\$ 139,665
Fundraising	2,698	1,000
Administration	10,895	18,611
Inventory	-	9,504
Total	<u>\$ 185,235</u>	<u>\$ 168,780</u>
 In-Kind Contributions Included in Special Events	 <u>\$ 98,795</u>	 <u>\$ 10,034</u>

NOTE 11 RELATED PARTIES

The Organization had related party transactions as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Support and Revenue from Related Individuals and Business Entities	<u>\$ 95,544</u>	<u>\$ 65,387</u>
Payments for Goods/Services to Business Entities Related to Board Members	<u>\$ -</u>	<u>\$ 22,722</u>

NOTE 12 COMMITMENTS

Leases

During 2017, the Organization entered into an agreement to lease laptop computers and tablets. The lease requires monthly rental payments of \$252 through June 2020. The outstanding commitment as of December 31, 2019 was \$1,260.

During 2013, the Organization entered into an agreement to lease a copier and the term was extended in January 2018 for an additional 60 months. The lease requires monthly rental payments of \$139 through December 2022. The outstanding commitment as of December 31, 2019 was \$5,004.

**PINKY SWEAR FOUNDATION
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NOTE 12 COMMITMENTS (CONTINUED)

Leases (Continued)

During 2018, the Organization entered into a 42-month lease for office space, commencing October 15, 2018 through March 31, 2022. The lease has escalating rent payments beginning with monthly payments of \$3,359 and increasing up to monthly payments of \$3,876. The outstanding commitment as of December 31, 2019 was \$98,786.

The following is a schedule of future minimum lease payments due through the terms of these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 45,474
2021	46,281
2022	<u>13,295</u>
Total	<u>\$ 105,050</u>