

ANGEL FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



July 16, 2020

ANGEL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 759,734	\$ 728,189
Receivables	94,558	49,526
Inventory	1,903	2,645
Prepaid expenses	57,760	24,473
Total Current Assets	913,955	804,833
Investments	2,665,161	2,321,015
Security deposit	3,259	3,259
Fixed assets, net of accumulated depreciation of \$114,282 and \$104,965 in 2019 and 2018, respectively	25,037	13,601
Total Assets	\$ 3,607,412	\$ 3,142,708
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 13,638	\$ 31,387
EFA grants payable	59,959	82,950
Accrued expenses	80,142	38,669
Deferred revenue	250,084	168,315
Total Liabilities	403,823	321,321
Net Assets		
Without donor restrictions		
Undesignated	801,699	942,902
Board designated	1,508,156	1,309,388
Total Net Assets Without Donor Restrictions	2,309,855	2,252,290
With donor restrictions		
Purpose restrictions	347,691	112,791
Perpetual in nature	546,043	456,306
Total Net Assets With Donor Restrictions	893,734	569,097
Total Net Assets	3,203,589	2,821,387
Total Liabilities and Net Assets	\$ 3,607,412	\$ 3,142,708

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

ANGEL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
SUPPORT AND REVENUE				
Support				
Contributions	\$ 1,231,051	\$ 251,383	\$ 1,482,434	\$ 1,524,298
Special events revenue, net	664,810	-	664,810	644,643
In-kind donations	179,834	-	179,834	235,955
Total support	<u>2,075,695</u>	<u>251,383</u>	<u>2,327,078</u>	<u>2,404,896</u>
Investment income				
Interest and dividend income	74,492	11,730	86,222	70,129
Investment fees	(7,974)	(2,478)	(10,452)	(10,242)
Net gain on sale of investments	48,929	15,933	64,862	139,162
Unrealized gain (loss) on investments	143,903	64,169	208,072	(300,325)
Total investment income	<u>259,350</u>	<u>89,354</u>	<u>348,704</u>	<u>(101,276)</u>
Net assets released from restrictions	<u>16,100</u>	<u>(16,100)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,351,145</u>	<u>324,637</u>	<u>2,675,782</u>	<u>2,303,620</u>
EXPENSES				
Program activities:				
EFA	1,234,124	-	1,234,124	1,109,644
FCT	531,487	-	531,487	463,767
Total program activities	<u>1,765,611</u>	<u>-</u>	<u>1,765,611</u>	<u>1,573,411</u>
Support activities:				
Management and general	316,352	-	316,352	391,307
Fundraising	211,617	-	211,617	151,248
Total support activities	<u>527,969</u>	<u>-</u>	<u>527,969</u>	<u>542,555</u>
Total Expenses	<u>2,293,580</u>	<u>-</u>	<u>2,293,580</u>	<u>2,115,966</u>
Change in net assets	57,565	324,637	382,202	187,654
Net assets, beginning of year	<u>2,252,290</u>	<u>569,097</u>	<u>2,821,387</u>	<u>2,633,733</u>
Net assets, end of year	<u>\$ 2,309,855</u>	<u>\$ 893,734</u>	<u>\$ 3,203,589</u>	<u>\$ 2,821,387</u>

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

**ANGEL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	Program Activities			Supporting Activities			Total 2019	Total 2018
	FCT	EFA	Total	Management and General	Fundraising	Total		
Salaries	\$ 295,463	\$ 292,512	\$ 587,975	\$ 143,657	\$ 121,112	\$ 264,769	\$ 852,744	\$ 692,918
Payroll taxes	23,318	22,775	46,093	11,281	9,288	20,569	66,662	63,312
Employee benefits	16,893	16,410	33,303	8,206	6,757	14,963	48,266	36,759
Total personnel costs	335,674	331,697	667,371	163,144	137,157	300,301	967,672	792,989
Consultants/professional fees	17,520	-	17,520	62,044	21,216	83,260	100,780	164,154
Training/education	-	-	-	5,145	-	5,145	5,145	4,635
IT/communication services	11,547	11,317	22,864	7,624	12,909	20,533	43,397	42,636
Supplies	74,213	12,485	86,698	1,712	6,797	8,509	95,207	104,034
Insurance	1,913	1,875	3,788	930	789	1,719	5,507	5,025
Occupancy costs	47,970	25,476	73,446	12,641	10,722	23,363	96,809	84,989
Miscellaneous	217	-	217	2,432	518	2,950	3,167	3,151
Printing	2,580	2,528	5,108	5,527	10,442	15,969	21,077	9,713
Postage	2,804	2,748	5,552	1,363	1,777	3,140	8,692	9,215
Marketing/advertising	29,519	478	29,997	43,877	21	43,898	73,895	83,204
Travel/entertainment	4,293	107	4,400	2,008	4,085	6,093	10,493	15,348
Banking & investment fees	-	-	-	16,783	3,849	20,632	20,632	18,401
Financial assistance	-	842,241	842,241	-	-	-	842,241	775,128
Cost of direct benefits to donors	-	-	-	-	420,030	420,030	420,030	410,720
Depreciation	3,237	3,172	6,409	1,574	1,335	2,909	9,318	13,586
Total expenses by function	531,487	1,234,124	1,765,611	326,804	631,647	958,451	2,724,062	2,536,928
Less expenses included with revenues on the statement of activities								
Investment fees	-	-	-	(10,452)	-	(10,452)	(10,452)	(10,242)
Cost of direct benefits to donors	-	-	-	-	(420,030)	(420,030)	(420,030)	(410,720)
Total expenses included in the expense section on the statement of activities	<u>\$ 531,487</u>	<u>\$ 1,234,124</u>	<u>\$ 1,765,611</u>	<u>\$ 316,352</u>	<u>\$ 211,617</u>	<u>\$ 527,969</u>	<u>\$ 2,293,580</u>	<u>\$ 2,115,966</u>

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

ANGEL FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 382,202	\$ 187,654
Adjustments:		
Realized and unrealized (gain) loss on investments	(272,934)	161,163
Depreciation	9,318	13,586
Decrease in inventory	742	2,910
(Increase) in receivables	(45,032)	(24,488)
(Increase) decrease in prepaid expenses	(33,287)	16,351
(Decrease) increase in accounts payable	(17,749)	845
(Decrease) in EFA grants payable	(22,991)	(3,356)
Increase (decrease) in accrued expenses	41,473	(19,585)
Increase (decrease) in deferred revenue	<u>81,769</u>	<u>(67,275)</u>
Net cash provided by operating activities	123,511	267,805
Cash Flows from Investing Activities		
Securities purchased	(1,317,269)	(527,652)
Securities sold	1,339,833	439,537
Investment income reinvested	(93,776)	-
Purchase of fixed assets	<u>(20,754)</u>	<u>(5,919)</u>
Net cash (used) by investing activities	<u>(91,966)</u>	<u>(94,034)</u>
Net increase in cash and cash equivalents	31,545	173,771
Cash and cash equivalents, beginning of year	<u>728,189</u>	<u>554,418</u>
Cash and cash equivalents, end of year	<u>\$ 759,734</u>	<u>\$ 728,189</u>

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

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

The Foundation pursues its mission in the following ways:

Emergency Financial Assistance

Emergency Financial Assistance (EFA) is provided to adults in active treatment for cancer to meet critical non-medical needs such as mortgage or rent payments, food, utilities, and transportation costs. Participants must live or be treated in the seven-county metro area of the Twin Cities.

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 through increased communication, reduction of stress, and implementing coping techniques.

Financial Cancer Care

Financial Cancer Care (FCC) is a financial empowerment program provided to adult cancer patients in the seven-county metro area of the Twin Cities. The program's purpose is to help patients manage cancer-related financial toxicity and the long-term effects of a cancer diagnosis by providing financial education and support. Fundraising for this program started in 2019, but the program did not begin until 2020.

Summary of Significant Accounting Policies

Basis of Accounting

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, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The accompanying financial statements include certain 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumption market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Foundation determines the allowance for uncollectible promises to give based on historical experience, as assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance for doubtful accounts has been provided, as management believes all receivables are collectible.

Inventory

Inventory consists of cookbooks, DVDs, 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, 2019 AND 2018

NOTE 1. SUMMARY OF ACTIVITIES AND 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.

Classification of 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. The Foundation reports 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.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Material and Services

Volunteers contribute significant amount of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria described by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair value of the services received.

In-Kind Donations

The Foundation records various types of in-kind support during 2019 and 2018. 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 2019 and 2018, the Foundation recognized \$179,834 and \$235,955 of in-kind donations.

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

	<u>2019</u>			<u>2018</u>		
	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>
Emergency Financial Assistance	\$ ---	\$ ---	\$ ---	\$ 1,835	\$ ---	\$ ---
Marketing/Advertising	20,654	12,158	---	688	46,906	---
Travel & Entertainment	---	175	---	---	475	400
Occupancy Costs	6,002	---	---	---	---	---
IT/Communication Services	---	52	---	---	---	---
Supplies	32,473	---	2,805	13,500	---	---
Consultants/Professional Fees	2,075	400	---	---	65,010	---
Special Event Direct Expenses	---	---	103,040	---	---	107,141
Total	<u>\$61,204</u>	<u>\$12,785</u>	<u>\$105,845</u>	<u>\$16,023</u>	<u>\$112,391</u>	<u>\$107,541</u>

ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and totaled \$73,896 and \$83,204 during the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exempt Status

The Foundation's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Since the Foundation is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Foundation is not a private foundation. Management has determined that the Foundation is not subject to unrelated business income tax. Management is not aware of any transactions that would impact the Foundation's tax-exempt status.

The Foundation follows the guidance of the Accounting Standard Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more than likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the years ended December 31, 2019 and 2018, management of the Foundation is not aware of any material uncertain tax positions.

All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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, and those differences could be material.

ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Board believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Foundation has evaluated subsequent events through the date the financial statements were issued, July 16, 2020. The COVID-19 outbreak in the United States has caused business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Foundation expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 15, 2020, the Foundation obtained a \$160,000 loan under the provisions of the Paycheck Protection Program. The Foundation anticipates the majority of this amount to be forgiven under the terms of the agreement. The Foundation has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over five years including interest at 1.00%.

On May 4, 2020, the Foundation obtained a \$10,000 Economic Injury Disaster Loan (EIDL). The Foundation anticipates the majority of this amount to be forgiven under the terms of the agreement. The Foundation has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over thirty years including interest at 2.75%.

There are no additional subsequent events required to be disclosed in accordance with accounting standards.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2. LIQUIDITY AND AVAILABILITY

	<u>2019</u>	<u>2018</u>
Total financial assets	\$3,519,453	\$3,098,730
Donor-imposed restrictions:		
Restricted Funds	(347,691)	(112,791)
Endowments	<u>(546,043)</u>	<u>(456,306)</u>
Net financial assets after donor-imposed restrictions	2,625,719	2,529,633
Internal designations:		
Board Designated Funds	<u>(1,508,156)</u>	<u>(1,309,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,117,563</u>	<u>\$1,220,245</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 Foundation has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Foundation 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, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3. 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, 2019 and 2018 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.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual Funds (Level 1)	\$2,621,816	\$2,265,030
Non-Traded REITs (Level 2)	<u>43,345</u>	<u>55,985</u>
Total Investments	<u>\$2,665,161</u>	<u>\$2,321,015</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.

ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4. INVESTMENTS (CONTINUED)

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.

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 Foundation 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.

**ANGEL FOUNDATION
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NOTE 4. INVESTMENTS (CONTINUED)

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, 2019 and 2018 is as follows:

	<u>2019</u>			<u>2018</u>		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment fund	\$ ---	\$546,043	\$ 546,043	\$ ---	\$456,306	\$ 456,306
Board-designated endowment fund	<u>1,508,156</u>	<u>---</u>	<u>1,508,156</u>	<u>1,309,388</u>	<u>---</u>	<u>1,309,388</u>
Total funds	<u>\$1,508,156</u>	<u>\$546,043</u>	<u>\$2,054,199</u>	<u>\$1,309,388</u>	<u>\$456,306</u>	<u>\$1,765,694</u>

Changes in endowment net assets as of December 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, January 1, 2018	\$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	1,309,388	456,306	1,765,694
Contributions received	---	383	383
Released from designation	(13,000)	---	(13,000)
Investment return, net	<u>211,768</u>	<u>89,354</u>	<u>301,122</u>
Endowment net assets, December 31, 2019	<u>\$1,508,156</u>	<u>\$546,043</u>	<u>\$2,054,199</u>

**ANGEL FOUNDATION
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NOTE 5. 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 6. FIXED ASSETS

Fixed assets consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Computers & Equipment	\$131,027	\$110,274
Leasehold Improvements	8,292	8,292
Less: Accumulated Depreciation	<u>(114,282)</u>	<u>(104,965)</u>
Net Fixed Assets	<u>\$ 25,037</u>	<u>\$ 13,601</u>

Depreciation expense was \$9,318 and \$13,586 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7. 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, 2019 and 2018 was \$59,959 and \$82,950, 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 \$842,241 and \$775,128 for the years ended December 31, 2019 and 2018, respectively.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. 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 \$5,580 and \$5,874 for the years ended December 31, 2019 and 2018, respectively.

Beginning on July 1, 2015, the Foundation leases office space under an operating lease set to expire in November 2020. On February 11, 2020, the Foundation renewed this lease, so it now has an expiration date of November 30, 2025. This renewal will be recorded in 2020 using the provisions of Accounting Standards Update (ASU) 2016-02, Leases. Rent expense for this lease was \$63,347 and \$62,544 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments for these leases, excluding the subsequent renewal, are as follows as of December 31, 2019:

	<u>Equipment</u>	<u>Space</u>	<u>Total</u>
2020	<u>\$1,204</u>	<u>\$40,062</u>	<u>\$41,266</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.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Breast cancer financial assistance	\$ 7,606	\$ 9,706
Brain cancer financial assistance	10,700	---
Financial assistance for Fridley residents	4,600	2,900
Other financial assistance	100,785	100,185
Camp Snow Angel	20,000	---
Financial Cancer Care program	<u>204,000</u>	<u>---</u>
	347,691	112,791
Endowments:		
Subject to endowment spending policy and appropriation:		
General operating expenses	<u>546,043</u>	<u>456,306</u>
Total Net Assets with Donor Restrictions	<u>\$893,734</u>	<u>\$569,097</u>

ANGEL FOUNDATION
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NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Brain cancer financial assistance	\$ 1,300	\$20,556
Breast cancer financial assistance	2,100	38,902
Financial assistance for Fridley residents	8,300	7,100
Other financial assistance	<u>4,400</u>	<u>2,000</u>
Total Net Assets Released from Restrictions	<u>\$16,100</u>	<u>\$68,558</u>

NOTE 10. SPECIAL EVENTS REVENUE

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

	<u>2019</u>			<u>2018</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Gala	\$ 609,308	\$307,051	\$302,257	\$ 634,881	\$300,773	\$334,108
Golf	195,362	43,503	151,859	220,627	55,402	165,225
After Hours	21,828	3,487	18,341	20,200	6,459	13,741
Camp Luncheon	112,189	25,562	86,627	91,066	20,970	70,096
Swing Back	25,344	8,470	16,874	24,952	8,832	16,120
Tri 4	33,623	12,229	21,394	35,714	11,975	23,739
Hope in Motion	87,186	19,728	67,458	---	---	---
Angel Run	---	---	---	<u>27,923</u>	<u>6,309</u>	<u>21,614</u>
Total	<u>\$1,084,840</u>	<u>\$420,030</u>	<u>\$664,810</u>	<u>\$1,055,363</u>	<u>\$410,720</u>	<u>\$644,643</u>

NOTE 11. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or support function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries, payroll taxes, employee benefits, IT/communication services, supplies, insurance, occupancy costs, printing, postage, and depreciation, which are allocated on the basis of estimates of time and effort.

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, 2019 and 2018, were \$17,956 and \$20,872, respectively.