

ANGEL FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

PREPARED BY:
BWK ROGERS PC
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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O. Barry Rogers, CPA
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BWK Rogers PC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
Minneapolis, Minnesota

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, 2017, 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, 2017, 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.

Adjustments to Prior Period Financial Statements

We have previously audited the Angel Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2017. As discussed in Note 13 to the financial statements, the Organization has adjusted its 2016 financial statements to retrospectively apply the change in accounting for the financial assistance expenses and related liability adopted in 2017. Our opinion is not modified with respect to that matter.

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

April 24, 2018

ANGEL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 554,418	\$ 581,461
Receivables	25,038	14,870
Inventory	5,555	5,553
Prepaid expenses	<u>40,824</u>	<u>34,846</u>
Total Current Assets	625,835	636,730
Investments	2,394,062	2,123,310
Security deposit	3,259	3,259
Fixed assets, net of accumulated depreciation of \$91,378 and \$75,195 in 2017 and 2016, respectively	<u>21,269</u>	<u>37,452</u>
Total Assets	<u><u>\$ 3,044,425</u></u>	<u><u>\$ 2,800,751</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 30,542	\$ 59,202
EFA grants payable	86,306	100,338
Accrued expenses	58,254	30,654
Deferred revenue	<u>235,590</u>	<u>298,438</u>
Total Liabilities	410,692	488,632
Net Assets		
Unrestricted	645,313	507,746
Board designated	<u>1,375,325</u>	<u>1,286,166</u>
Total Unrestricted Net Assets	2,020,638	1,793,912
Temporarily restricted	131,643	111,064
Permanently restricted	<u>481,452</u>	<u>407,143</u>
Total Net Assets	<u>2,633,733</u>	<u>2,312,119</u>
Total Liabilities and Net Assets	<u><u>\$ 3,044,425</u></u>	<u><u>\$ 2,800,751</u></u>

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

ANGEL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
SUPPORT AND REVENUE					
Support					
Contributions	\$ 1,354,813	\$ 56,000	\$ 18,100	\$ 1,428,913	\$ 1,226,705
Special events revenue, net	521,711	-	-	521,711	502,930
In-kind	281,396	-	-	281,396	167,158
Total support	<u>2,157,920</u>	<u>56,000</u>	<u>18,100</u>	<u>2,232,020</u>	<u>1,896,793</u>
Investment income					
Interest and dividend income	47,401	-	8,583	55,984	44,854
Investment fees	(7,369)	-	(2,144)	(9,513)	(8,777)
Net gain on sale of investments	85,774	-	30,442	116,216	6,171
Unrealized gain on investments	44,955	-	19,328	64,283	80,658
Total investment income	<u>170,761</u>	<u>-</u>	<u>56,209</u>	<u>226,970</u>	<u>122,906</u>
Net assets released from restrictions	<u>35,421</u>	<u>(35,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,364,102	20,579	74,309	2,458,990	2,019,699
EXPENSES					
Program activities:					
EFA	1,111,348	-	-	1,111,348	1,312,657
FCT	447,075	-	-	447,075	414,420
Total program activities	<u>1,558,423</u>	<u>-</u>	<u>-</u>	<u>1,558,423</u>	<u>1,727,077</u>
Support activities:					
Management and general	426,025	-	-	426,025	356,646
Fundraising	152,928	-	-	152,928	202,954
Total support activities	<u>578,953</u>	<u>-</u>	<u>-</u>	<u>578,953</u>	<u>559,600</u>
Total Expenses	2,137,376	-	-	2,137,376	2,286,677
Change in net assets	226,726	20,579	74,309	321,614	(266,978)
Net assets, beginning of year	<u>1,793,912</u>	<u>111,064</u>	<u>407,143</u>	<u>2,312,119</u>	<u>2,679,435</u>
Net assets, end of year, as previously stated	2,020,638	131,643	481,452	2,633,733	2,412,457
Prior period adjustment	-	-	-	-	(100,338)
Net assets, end of year, as restated	<u>\$ 2,020,638</u>	<u>\$ 131,643</u>	<u>\$ 481,452</u>	<u>\$ 2,633,733</u>	<u>\$ 2,312,119</u>

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

**ANGEL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	Program Activities			Supporting Activities			Total 2017	Total 2016
	FCT	EFA	Total	Management and General	Fundraising	Total		
Salaries	\$ 253,702	\$ 222,614	\$ 476,316	\$ 112,920	\$ 96,021	\$ 208,941	\$ 685,257	\$ 629,521
Payroll taxes	19,713	17,229	36,942	8,626	7,552	16,178	53,120	52,753
Employee benefits	15,885	13,939	29,824	7,070	6,012	13,082	42,906	36,781
Total personnel costs	289,300	253,782	543,082	128,616	109,585	238,201	781,283	719,055
Consultants/professional fees	132	94	226	84,641	149	84,790	85,016	116,333
Training/education	307	148	455	645	3,664	4,309	4,764	12,258
IT/communication services	9,241	7,751	16,992	4,435	3,923	8,358	25,350	39,143
Supplies	39,277	3,198	42,475	1,266	2,647	3,913	46,388	48,311
Camp Angel	42,576	-	42,576	-	-	-	42,576	35,063
AngelPacks	13,191	-	13,191	-	-	-	13,191	23,926
Insurance	1,813	1,591	3,404	629	592	1,221	4,625	5,424
Occupancy costs	27,810	24,326	52,136	9,728	9,211	18,939	71,075	68,962
Printing	3,681	2,842	6,523	5,279	5,017	10,296	16,819	17,588
Postage	4,793	4,406	9,199	2,797	1,639	4,436	13,635	7,423
Marketing/advertising	-	4,581	4,581	181,546	-	181,546	186,127	66,100
Travel/entertainment	6,164	5,507	11,671	3,504	9,073	12,577	24,248	26,995
Banking & investment fees	2,474	1,762	4,236	707	5,344	6,051	10,287	12,214
Financial assistance	-	795,809	795,809	-	-	-	795,809	1,069,287
Depreciation	6,316	5,551	11,867	2,232	2,084	4,316	16,183	18,595
Total expenses	\$ 447,075	\$ 1,111,348	\$ 1,558,423	\$ 426,025	\$ 152,928	\$ 578,953	\$ 2,137,376	\$ 2,286,677

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

ANGEL FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 321,614	\$ (266,978)
Adjustments:		
Realized and unrealized (gain) on investments	(180,499)	(86,829)
Depreciation	16,183	18,595
(Increase) in inventory	(2)	(290)
(Increase) decrease in receivables	(10,168)	11,817
(Increase) in prepaid expenses	(5,978)	(5,975)
(Decrease) increase in accounts payable	(28,660)	32,321
(Decrease) in EFA grants payable	(14,032)	-
Increase in accrued expenses	27,600	-
(Decrease) increase in deferred revenue	<u>(62,848)</u>	<u>140,613</u>
Net cash provided (used) by operating activities	63,210	(156,726)
Cash Flows from Investing Activities		
Securities purchased	(357,820)	(880,382)
Securities sold	<u>267,567</u>	<u>998,627</u>
Net cash (used) provided by investing activities	<u>(90,253)</u>	<u>118,245</u>
Net (decrease) in cash and cash equivalents	(27,043)	(38,481)
Cash and cash equivalents, beginning of year	<u>581,461</u>	<u>619,942</u>
Cash and cash equivalents, end of year	<u>\$ 554,418</u>	<u>\$ 581,461</u>

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

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1. ORGANIZATION

Organization

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

Description of programs

The Foundation pursues its mission in the following ways:

Emergency Financial Assistance

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

Educational Programs

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Resources over which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets

Resources subject to donor-imposed restrictions that will be satisfied through specific uses of the funds by the Foundation or the passage of time.

Permanently Restricted Net Assets

Resources where the original gift was subject to a donor-imposed restriction requiring that the gift be maintained permanently. Income earned from the resources is permanently restricted until such time the balance reaches \$2,000,000.

ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

Support and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as temporarily restricted. When a temporary restriction is satisfied (when a purpose restriction is accomplished or stipulated time restriction ends), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If, however, restricted contributions are received and released from restriction in the same year, the support is recognized as unrestricted in the financial statements. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Intentions to give and conditional contributions are recognized when the conditions on which they depend on are substantially met.

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.

Inventory

Inventory consists of cookbooks, CDs, Hope pins, and notecards 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, 2017 AND 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Expense Allocation

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

Income Tax Status

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

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Donations

The Foundation records various types of in-kind support during 2017 and 2016. 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 2017 and 2016, the Foundation recognized \$281,396 and \$167,158 of in-kind donations.

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

	<u>2017</u>			<u>2016</u>		
	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>
Training/Education	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,340	\$ ---
IT/Communication						
Services	---	---	---	---	30	---
Emergency Financial						
Assistance	15,970	---	---	8,435	---	---
Marketing/Advertising	---	140,887	---	594	52,329	---
Travel & Entertainment	---	---	1,969	---	---	5,000
Supplies	20,764	356	1,027	19,412	---	---
Camp Angel	1,791	---	---	---	---	---
AngelPacks	160	---	---	---	---	---
Special Event Direct						
Expenses	<u>---</u>	<u>---</u>	<u>98,472</u>	<u>---</u>	<u>---</u>	<u>74,018</u>
Total	<u>\$38,685</u>	<u>\$141,243</u>	<u>\$101,468</u>	<u>\$28,441</u>	<u>\$59,699</u>	<u>\$79,018</u>

Comparative Financial Information

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been provided, as management believes all accounts receivable are collectible.

Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Brain cancer financial assistance	\$ 20,556	\$ 1,529
Breast cancer financial assistance	8,902	---
Other financial assistance	<u>102,185</u>	<u>109,535</u>
Total Temporarily Restricted Net Assets	<u>\$131,643</u>	<u>\$111,064</u>

Net assets were released from temporary restrictions for the following purposes for the years ending December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Other financial assistance	\$ 7,350	\$ 7,000
Breast cancer financial assistance	16,098	---
Brain cancer financial assistance	<u>11,973</u>	<u>17,293</u>
Total Net Assets Released from Restrictions	<u>\$35,421</u>	<u>\$24,293</u>

NOTE 3. INVESTMENTS

The Foundation's investments are stated at fair value based on quoted prices in active markets (all Level 1 & Level 2 measurements) and consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual Funds (Level 1)	\$2,340,804	\$2,073,818
Non-Traded REITs (Level 2)	<u>53,258</u>	<u>49,492</u>
Total Investments	<u>\$2,394,062</u>	<u>\$2,123,310</u>

The Foundation's endowment includes 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, 2017 AND 2016

NOTE 3. 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as unrestricted net assets. 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 Organization would like the endowment to earn a targeted return that meets or exceeds a 40% equity / 60% fixed benchmark, measured by the Morningstar Moderately Conservative Target Risk Index. Actual performance (net of fees) shall be measured on a calendar year basis, as well as compared to the benchmark on rolling 1, 3, 5, and 10 year timeframes. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3. 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, 2017 and 2016 is as follows:

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment fund	\$ ---	\$481,452	\$ 481,452	\$ ---	\$407,143	\$ 407,143
Board-designated endowment fund	<u>1,375,325</u>	<u>---</u>	<u>1,375,325</u>	<u>1,286,166</u>	<u>---</u>	<u>1,286,166</u>
Total funds	<u>\$1,375,325</u>	<u>\$481,452</u>	<u>\$1,856,777</u>	<u>\$1,286,166</u>	<u>\$407,143</u>	<u>\$1,693,309</u>

NOTE 4. 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.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4. FAIR VALUE (CONTINUED)

The Mutual Funds held by Angel Foundation at December 31, 2017 and 2016 are Level 1 assets valued using a market approach. There were no changes in the valuations techniques during the current year.

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. 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, 2017 and 2016 was \$86,306 and \$100,338, respectively, as reported on the Statement of Financial Position. The internal policy for maximum grant award was \$850 for all types of cancer per individual. Effective January 1, 2017, the policy has been revised, so the 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 \$795,809 and \$1,069,287 for the years ended December 31, 2017 and 2016, respectively.

**ANGEL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7. SPECIAL EVENT REVENUE

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

	<u>2017</u>			<u>2016</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Angel Awards	\$615,576	\$318,891	\$296,685	\$516,116	\$233,797	\$282,319
Golf	222,295	60,747	161,548	207,402	46,860	160,542
Angel After Hours	30,281	10,605	19,676	20,585	---	20,585
Camp Angel Luncheon	<u>51,367</u>	<u>7,565</u>	<u>43,802</u>	<u>51,597</u>	<u>12,113</u>	<u>39,484</u>
Total	<u>\$919,519</u>	<u>\$397,808</u>	<u>\$521,711</u>	<u>\$795,700</u>	<u>\$292,770</u>	<u>\$502,930</u>

NOTE 8. FIXED ASSETS

Fixed assets consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Computers & Equipment	\$104,355	\$104,355
Leasehold Improvements	8,292	8,292
Less: Accumulated Depreciation	<u>(91,378)</u>	<u>(75,195)</u>
Net Fixed Assets	<u>\$ 21,269</u>	<u>\$ 37,452</u>

Depreciation expense was \$16,183 and \$18,595 for the years ended December 31, 2017 and 2016, respectively.

NOTE 9. RETIREMENT PLAN

The employees of Angel Foundation may contribute to a 401(k) retirement plan. Until February 2016, this plan was based strictly on employee participation with no contribution made by the Foundation. Beginning in February 2016, the Foundation matches up to 4% of gross wages. Contributions to the plan for the years ended December 31, 2017 and 2016, were \$23,314 and \$16,650, respectively.

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NOTE 10. OPERATING LEASES

The Angel Foundation leases office equipment under an operating lease that started in May 2013, was renewed in July 2015, and will expire in June 2020. Rent expense for this office equipment was \$2,408 and \$2,408 for the years ended December 31, 2017 and 2016, respectively.

Beginning on July 1, 2015, the Foundation leases office space under a lease set to expire in November 2020. Rent expense for this lease was \$61,673 and \$60,079 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments for these leases are as follows as of December 31, 2017:

	<u>Equipment</u>	<u>Space</u>	<u>Total</u>
2018	\$2,408	\$ 37,961	\$ 40,369
2019	2,408	38,152	40,560
2020	<u>1,204</u>	<u>40,062</u>	<u>41,266</u>
Total	<u>\$6,020</u>	<u>\$116,175</u>	<u>\$122,195</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 11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the financial statements were issued, April 24, 2018. There are no subsequent events required to be disclosed in accordance with accounting standards.

NOTE 12. INCOME TAX UNCERTAINTIES

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

The Foundation's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2013 to 2017 are open to examination by federal, state, and local authorities.

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**NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD
ADJUSTMENT**

Angel Foundation has changed how they expense the emergency financial assistance payments discussed in **Note 6**. Prior to 2017, these payments were expensed on the cash basis because of the conditional nature of the awards. However, because the likelihood that the conditions will not be met by the patients is remote, these payments are now considered to be unconditional promises to give. As such, the awards are expensed as they are approved, creating a liability. The impact on the 2016 financial statements was an increase in current liabilities and a decrease in unrestricted net assets of \$100,338.