

PINKY SWEAR FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**PINKY SWEAR FOUNDATION
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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, 2020 and 2019, 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, 2020 and 2019, 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
April 28, 2021

**PINKY SWEAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,420,174	\$ 498,882
Pledge Receivables	13,493	2,093,100
Prepaid Expenses and Other Assets	54,061	84,254
Total Current Assets	1,487,728	2,676,236
INVESTMENTS	4,198,892	280,045
PROPERTY AND EQUIPMENT, NET	11,365	15,483
Total Assets	\$ 5,697,985	\$ 2,971,764
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,865	\$ 42,248
Accrued Expenses	26,741	86,028
Deferred Revenue	-	18,100
Total Current Liabilities	54,606	146,376
NET ASSETS		
Without Donor Restrictions	872,544	16,135
With Donor Restrictions:		
Net Assets Restricted by Time or Purpose	609,385	1,059,253
Net Assets Held in Perpetuity	4,161,450	1,750,000
Total Net Assets	5,643,379	2,825,388
Total Liabilities and Net Assets	\$ 5,697,985	\$ 2,971,764

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions - Businesses	\$ 347,647	\$ 181,142	\$ 528,789	\$ 438,548	\$ 87,500	\$ 526,048
Contributions - Foundations	786,750	2,591,950	3,378,700	68,528	2,162,000	2,230,528
Contributions - Individuals	405,073	11,000	416,073	355,055	-	355,055
Contributions - Government	177,700	-	177,700	-	-	-
Special Events, Net of Direct Expenses of \$105,756 and \$207,162, Respectively	736,463	-	736,463	899,064	36,500	935,564
Donated Goods and Services	56,107	-	56,107	185,235	-	185,235
Investment Income	12,527	12,397	24,924	26,108	28,666	54,774
Released from Restriction	834,907	(834,907)	-	344,915	(344,915)	-
Total Support and Revenues	<u>3,357,174</u>	<u>1,961,582</u>	<u>5,318,756</u>	<u>2,317,453</u>	<u>1,969,751</u>	<u>4,287,204</u>
EXPENSES						
Program Services	1,969,326	-	1,969,326	1,817,198	-	1,817,198
Support Services:						
General and Administrative	120,935	-	120,935	139,991	-	139,991
Fundraising	410,504	-	410,504	415,872	-	415,872
Total Expenses	<u>2,500,765</u>	<u>-</u>	<u>2,500,765</u>	<u>2,373,061</u>	<u>-</u>	<u>2,373,061</u>
CHANGES IN NET ASSETS	856,409	1,961,582	2,817,991	(55,608)	1,969,751	1,914,143
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 872,544</u>	<u>\$ 4,770,835</u>	<u>\$ 5,643,379</u>	<u>\$ 16,135</u>	<u>\$ 2,809,253</u>	<u>\$ 2,825,388</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Family Support	Youth Development	Education/ Awareness	Total Program	Management and General	Fundraising	Total
Program Expenses:							
All Star Fund Grants	\$ 883,632	\$ -	\$ -	\$ 883,632	\$ -	\$ -	\$ 883,632
Orange Envelope Grants	176,924	-	-	176,924	-	-	176,924
Experience Grants	28,069	-	-	28,069	-	-	28,069
Youth Development	-	15,000	-	15,000	-	-	15,000
Salaries	222,595	71,731	223,506	517,832	67,841	184,815	770,488
Employee Benefits	22,727	7,324	22,820	52,871	6,927	18,870	78,668
Payroll Taxes	21,229	6,841	21,316	49,386	6,470	17,626	73,482
Program Events	-	-	104,447	104,447	-	-	104,447
Professional Fees	2,085	-	-	2,085	18,012	78,601	98,698
Marketing	-	-	8,072	8,072	-	5,381	13,453
Telephone and Technology	10,380	4,316	17,060	31,756	5,344	14,285	51,385
Bank Charges	-	-	-	-	975	34,888	35,863
Travel	437	-	-	437	-	3,310	3,747
Office Supplies	3,512	1,461	5,773	10,746	1,808	4,834	17,388
Repairs and Maintenance	10,868	150	-	11,018	1,238	3,699	15,955
Dues and Fees	2,250	935	3,697	6,882	1,158	3,096	11,136
Rent and Utilities	32,825	452	-	33,277	3,741	11,173	48,191
Depreciation Expense	2,805	39	-	2,844	319	955	4,118
Postage and Freight	3,885	1,616	6,386	11,887	2,000	5,347	19,234
Insurance	7,897	109	-	8,006	900	2,688	11,594
Interest	-	-	-	-	96	-	96
Payroll Processing Fees	811	337	1,333	2,481	418	1,116	4,015
Training	1,448	602	2,380	4,430	745	1,993	7,168
Special Event Expense	-	-	-	-	-	105,756	105,756
Miscellaneous Expenses	6,732	175	337	7,244	2,943	17,827	28,014
Subtotal	<u>1,441,111</u>	<u>111,088</u>	<u>417,127</u>	<u>1,969,326</u>	<u>120,935</u>	<u>516,260</u>	<u>2,606,521</u>
Special Event Expense	-	-	-	-	-	(105,756)	(105,756)
Total Expenses	<u>\$ 1,441,111</u>	<u>\$ 111,088</u>	<u>\$ 417,127</u>	<u>\$ 1,969,326</u>	<u>\$ 120,935</u>	<u>\$ 410,504</u>	<u>\$ 2,500,765</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
Youth Development	-	-	-	-	-	-	-
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,817,991	\$ 1,914,143
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,118	3,269
Contributions Restricted to Endowment	(2,411,450)	(1,500,000)
Realized and Unrealized (Gains) Losses on Investments	38,679	(19,568)
(Increase) Decrease in Current Assets:		
Pledge Receivables	584,607	(524,362)
Prepaid Expenses and Other Assets	30,193	(10,869)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(14,383)	3,627
Accrued Expenses	(59,287)	26,478
Deferred Revenue	(18,100)	320
Net Cash Provided (Used) by Operating Activities	972,368	(106,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,671,414)	(261,479)
Proceeds from Sale of Investments	1,713,888	252,381
Purchase of Property and Equipment	-	(8,156)
Net Cash Used by Investing Activities	(3,957,526)	(17,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted to Endowment	3,906,450	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	921,292	(124,216)
Cash and Cash Equivalents - Beginning of Year	498,882	623,098
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,420,174	\$ 498,882

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, childcare, 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 Foundation 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, students learn about community service and leadership skills, and become change makers and advocates in their communities. Pinky Swear Youth Leadership Council (YLC), Pinky Swear PACK college program and other youth development activities embrace the servant-leadership mentality inspired by the original Pinky Swear promise.

- **Youth Leadership Council:** Engages kids by building peer-to-peer awareness while developing relevant skills to form impactful leaders in the community.
- **Pinky Swear PACK:** Newly created college ambassador program that empowers students on college and university campuses to participate in childhood cancer awareness and support initiatives throughout the school year.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 are 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, 2020, there were two donors that represented 73% of total support and revenues. For the year ended December 31, 2019, there was one donor that represented 47% of total support and revenues.

Pledges Receivable

There were no receivable concentrations for the year ended December 31, 2020. For the year ended December 31, 2019, there was one donor that represented 96% of pledge receivables.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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. Conditional promises outstanding as of December 31, 2020 and 2019 were \$110,000. 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, 2020 and 2019, 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, 2020 and 2019, 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 and three years for the website. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 changes in net assets consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

The Organization's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

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 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 registrations 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, 2020, there was \$4,262 of income included in special event revenue on the statement of activities and changes in net assets for registrations. At December 31, 2019, there was \$102,400 of income included in special event revenue on the statement of activities and changes in net assets for registrations.

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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019 were \$13,453 and \$46,945, respectively.

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, experience grants, and youth development 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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, the Organization did not have any uncertain tax positions.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 28, 2021, the date the financial statements were available to be issued.

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.

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. 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>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,420,174	\$ 498,882
Pledges Receivable Within One Year	<u>13,493</u>	<u>2,093,100</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	1,433,667	2,591,982
Less: Those Unavailable for General Expenditures Within One Year, Due to Contractual or Donor-Imposed Time or Purpose Restrictions	<u>(509,385)</u>	<u>(2,422,753)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 924,282</u>	<u>\$ 169,229</u>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31:

	2020	2019
Leasehold Improvements	\$ 11,491	\$ 11,491
Furniture and Equipment	66,130	66,130
Website	21,449	21,449
Total Property and Equipment	<u>99,070</u>	<u>99,070</u>
Less: Accumulated Depreciation	<u>87,705</u>	<u>83,587</u>
Property and Equipment, Net	<u>\$ 11,365</u>	<u>\$ 15,483</u>

Depreciation expense was \$4,118 and \$3,270 for the years ended December 31, 2020 and 2019, respectively.

NOTE 4 INVESTMENTS

Investments consisted of the following at December 31:

	2020	2019
Cash and Cash Equivalents	\$ 1,725,631	\$ 10,002
Equities	1,471,658	-
U.S. Corporate Bonds	1,001,603	-
Mutual Funds - Equities	-	135,913
Mutual Funds - Fixed Income	-	134,130
Total Investments	<u>\$ 4,198,892</u>	<u>\$ 280,045</u>

NOTE 5 FAIR VALUE MEASUREMENTS

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

	2020			Total
	Level 1	Level 2	Level 3	
Equities	\$ 1,471,658	\$ -	\$ -	\$ 1,471,658
U.S. Corporate Bonds	-	1,001,603	-	1,001,603
Total	<u>1,471,658</u>	<u>1,001,603</u>	<u>-</u>	<u>2,473,261</u>
Cash and Cash Equivalents	-	-	-	1,725,631
Total	<u>\$ 1,471,658</u>	<u>\$ 1,001,603</u>	<u>\$ -</u>	<u>\$ 4,198,892</u>
	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>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted by Passage of Time	\$ 200,000	\$ 336,500
Restricted for Family Assistance Programs	409,385	722,753
Restricted Endowment Held in Perpetuity	<u>4,161,450</u>	<u>1,750,000</u>
Total	<u>\$ 4,770,835</u>	<u>\$ 2,809,253</u>

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:

	<u>2020</u>	<u>2019</u>
Restricted by Passage of Time	\$ 136,500	\$ 107,578
Restricted for Family Assistance Programs	<u>698,407</u>	<u>237,337</u>
Total	<u>\$ 834,907</u>	<u>\$ 344,915</u>

NOTE 7 ENDOWMENT

The Organization's endowment was established to support programs, grants to families, and operations. 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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

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.

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	2020 Total
Endowment Net Assets, January 1, 2020	\$ -	\$ 280,045	\$ 280,045
Investment Return:			
Net Realized and Unrealized Losses	-	(38,679)	(38,679)
Investment Income	-	51,076	51,076
Total Investment Return	-	12,397	12,397
Contributions	-	3,906,450	3,906,450
Endowment Net Assets, December 31, 2020	<u>\$ -</u>	<u>\$ 4,198,892</u>	<u>\$ 4,198,892</u>
	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>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

No board-designated endowments existed at December 31, 2020 and 2019.

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no fund deficiencies as of December 31, 2020 and 2019.

NOTE 8 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 \$18,670 and \$18,959 during the years ended December 31, 2020 and 2019, respectively.

NOTE 9 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>2020</u>	<u>2019</u>
Program - Family Support	\$ 52,912	\$ 171,642
Fundraising	3,195	2,698
Administration	-	10,895
Total	<u>\$ 56,107</u>	<u>\$ 185,235</u>
 In-Kind Contributions Included in Special Events	 <u>\$ 133,206</u>	 <u>\$ 98,795</u>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 RELATED PARTIES

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

	2020	2019
Support and Revenue from Related Individuals and Business Entities	\$ 87,362	\$ 95,544

NOTE 11 COMMITMENTS

Leases

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, 2020 was \$3,336.

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 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>
2021	\$ 47,949
2022	14,963
Total	\$ 62,912

NOTE 12 PAYCHECK PROTECTION PROGRAM

On April 21, 2020, the Organization received proceeds in the amount of \$177,700 to fund payroll, rent, and utilities through the federal Paycheck Protection Program (PPP). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

The Organization initially classified this loan as a conditional contribution for accounting purposes. Management has determined the conditions were met as of December 31, 2020. The Organization recognized \$177,700 of income related to this agreement, which represents the portion of the PPP loan funds for which the performance barriers have been met. Subsequent to year-end, the SBA formally approved forgiveness. The funds were recognized as revenue and are included in the Contributions – Government line on the statement of activities and changes in net assets.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 PAYCHECK PROTECTION PROGRAM (CONTINUED)

The SBA may review funding eligibility and use of fund for compliance with program requirements based on dollar thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

On March 31, 2021, the Organization received a second loan in the amount of \$177,700 to fund payroll, rent, and utilities through PPP. This PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and has a term of five years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is either 8 or 24 weeks and is the period that the Organization has to spend their PPP loan funds.

NOTE 13 ALLOCATION OF JOINT COSTS

During the year ended December 31, 2020, the Organization conducted activities that included appeals for contributions as part of their events and incurred joint costs of \$208,894. Of these costs, \$104,447 were allocated to both fundraising expense and program expense. During the year ended December 31, 2019, the Organization conducted activities that included appeals for contributions as part of their events and incurred joint costs of \$559,278. Of these costs, \$279,639 were allocated to both fundraising expense and program expense.

NOTE 14 RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. As a result, COVID-19 may impact various parts of the Organization's 2021 operations and financial results. Management believes that the 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 these events are still developing.

