

PINKY SWEAR FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**PINKY SWEAR FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinky Swear Foundation
Edina, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pinky Swear Foundation (the Organization) which comprise the statements of financial position as of December 31, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Pinky Swear Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinky Swear Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pinky Swear Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinky Swear Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 15, 2024

**PINKY SWEAR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,537,735	\$ 2,121,688
Pledge Receivables	5,000	16,300
Prepaid Expenses and Other Assets	34,194	45,604
Total Current Assets	1,576,929	2,183,592
RIGHT-OF-USE ASSET - OPERATING	71,070	114,095
INVESTMENTS	11,025,856	8,303,605
PROPERTY AND EQUIPMENT, NET	4,186	8,284
Total Assets	\$ 12,678,041	\$ 10,609,576
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 40,432	\$ 30,243
Accrued Expenses	19,971	59,726
Lease Liability - Current Portion	45,217	42,438
Total Current Liabilities	105,620	132,407
LONG-TERM LIABILITIES		
Lease Liability - Net of Current Portion	27,734	80,358
Total Liabilities	133,354	212,765
NET ASSETS		
Without Donor Restrictions	915,233	1,136,703
With Donor Restrictions:		
Net Assets Restricted by Time or Purpose	1,676,982	956,396
Net Assets Held in Perpetuity	9,952,472	8,303,712
Total Net Assets	12,544,687	10,396,811
Total Liabilities and Net Assets	\$ 12,678,041	\$ 10,609,576

See accompanying Notes to Financial Statements.

PINKY SWEAR FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions - Businesses	\$ 598,610	\$ 40,750	\$ 639,360	\$ 546,620	\$ 34,500	\$ 581,120
Contributions - Foundations	172,906	2,585,260	2,758,166	533,306	2,906,308	3,439,614
Contributions - Individuals	979,074	2,500	981,574	1,069,216	12,500	1,081,716
Donated Goods and Services	173,199	-	173,199	82,293	-	82,293
Investment Income (Loss), Net	41,185	999,189	1,040,374	(33,084)	(740,891)	(773,975)
Released from Restriction	1,258,353	(1,258,353)	-	603,632	(603,632)	-
Total Support and Revenues	<u>3,223,327</u>	<u>2,369,346</u>	<u>5,592,673</u>	<u>2,801,983</u>	<u>1,608,785</u>	<u>4,410,768</u>
EXPENSES						
Program Services	2,648,774	-	2,648,774	2,423,898	-	2,423,898
Support Services:						
General and Administrative	286,357	-	286,357	180,052	-	180,052
Fundraising	509,666	-	509,666	532,423	-	532,423
Total Expenses	<u>3,444,797</u>	<u>-</u>	<u>3,444,797</u>	<u>3,136,373</u>	<u>-</u>	<u>3,136,373</u>
CHANGES IN NET ASSETS	(221,470)	2,369,346	2,147,876	(334,390)	1,608,785	1,274,395
Net Assets - Beginning of Year	<u>1,136,703</u>	<u>9,260,108</u>	<u>10,396,811</u>	<u>1,471,093</u>	<u>7,651,323</u>	<u>9,122,416</u>
NET ASSETS - END OF YEAR	<u>\$ 915,233</u>	<u>\$ 11,629,454</u>	<u>\$ 12,544,687</u>	<u>\$ 1,136,703</u>	<u>\$ 9,260,108</u>	<u>\$ 10,396,811</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	<u>Family Support</u>	<u>Student Development</u>	<u>Education/ Awareness</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program Expenses:							
All Star Fund Grants	\$ 1,017,567	\$ -	\$ -	\$ 1,017,567	\$ -	\$ -	\$ 1,017,567
Family Support	2,119	-	-	2,119	-	-	2,119
Orange Envelope Grants	459,200	-	-	459,200	-	-	459,200
Experience Grants	65,136	-	-	65,136	-	-	65,136
Youth Development	-	33,295	-	33,295	-	-	33,295
Salaries	360,552	97,985	207,283	665,820	77,342	276,098	1,019,260
Employee Benefits	40,270	10,944	23,152	74,366	8,638	30,838	113,842
Payroll Taxes	27,472	7,466	15,794	50,732	5,893	21,037	77,662
Professional Fees	79,633	-	9,396	89,029	178,173	38,500	305,702
Marketing	-	-	15,786	15,786	-	10,524	26,310
Telephone and Technology	28,701	6,997	22,811	58,509	4,784	27,634	90,927
Bank Charges	49	-	-	49	2,814	29,951	32,814
Travel	7,241	-	-	7,241	868	11,681	19,790
Office Supplies	7,669	1,870	6,095	15,634	1,278	7,383	24,295
Repairs and Maintenance	11,784	258	-	12,042	736	4,329	17,107
Dues and Fees	3,990	973	3,171	8,134	665	3,842	12,641
Rent and Utilities	34,755	656	-	35,411	1,873	11,008	48,292
Depreciation Expense	2,823	62	-	2,885	176	1,037	4,098
Postage and Freight	7,177	1,750	5,704	14,631	1,196	6,910	22,737
Insurance	8,294	182	-	8,476	518	3,047	12,041
Interest	-	-	-	-	-	-	-
Payroll Processing Fees	1,559	380	1,239	3,178	260	1,501	4,939
Training	2,708	660	2,152	5,520	451	2,607	8,578
Donor Cultivation	-	-	-	-	-	18,569	18,569
Miscellaneous Expenses	3,814	191	9	4,014	692	3,170	7,876
	<u>\$ 2,172,513</u>	<u>\$ 163,669</u>	<u>\$ 312,592</u>	<u>\$ 2,648,774</u>	<u>\$ 286,357</u>	<u>\$ 509,666</u>	<u>\$ 3,444,797</u>
Total Expenses	<u>\$ 2,172,513</u>	<u>\$ 163,669</u>	<u>\$ 312,592</u>	<u>\$ 2,648,774</u>	<u>\$ 286,357</u>	<u>\$ 509,666</u>	<u>\$ 3,444,797</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Family Support</u>	<u>Student Development</u>	<u>Education/ Awareness</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program Expenses:							
All Star Fund Grants	\$ 1,109,891	\$ -	\$ -	\$ 1,109,891	\$ -	\$ -	\$ 1,109,891
Family Support	7,770	-	-	7,770	-	-	7,770
Orange Envelope Grants	255,450	-	-	255,450	-	-	255,450
Experience Grants	47,332	-	-	47,332	-	-	47,332
Youth Development	-	33,949	-	33,949	-	-	33,949
Salaries	334,455	97,036	226,371	657,862	67,750	250,177	975,789
Employee Benefits	32,227	8,649	21,874	62,750	6,584	24,441	93,775
Payroll Taxes	26,409	7,087	17,926	51,422	5,394	20,029	76,845
Professional Fees	-	-	-	-	68,485	57,680	126,165
Marketing	-	-	15,408	15,408	-	10,272	25,680
Telephone and Technology	30,807	6,851	26,923	64,581	7,625	31,156	103,362
Bank Charges	67	-	-	67	2,138	23,594	25,799
Travel	5,953	-	-	5,953	7,540	15,073	28,566
Office Supplies	5,574	1,240	4,871	11,685	837	5,637	18,159
Repairs and Maintenance	10,616	258	-	10,874	602	3,972	15,448
Dues and Fees	4,005	891	3,500	8,396	601	4,050	13,047
Rent and Utilities	39,037	947	-	39,984	2,215	14,605	56,804
Depreciation Expense	1,971	48	-	2,019	112	737	2,868
Postage and Freight	5,645	1,255	4,933	11,833	847	5,709	18,389
Insurance	4,766	116	-	4,882	270	1,783	6,935
Interest	-	-	-	-	46	-	46
Payroll Processing Fees	1,422	316	1,243	2,981	214	1,438	4,633
Training	4,706	1,047	4,113	9,866	707	4,759	15,332
Donor Cultivation	-	-	-	-	-	43,989	43,989
Miscellaneous Expenses	8,538	244	161	8,943	8,085	13,322	30,350
Total Expenses	<u>\$ 1,936,641</u>	<u>\$ 159,934</u>	<u>\$ 327,323</u>	<u>\$ 2,423,898</u>	<u>\$ 180,052</u>	<u>\$ 532,423</u>	<u>\$ 3,136,373</u>

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,147,876	\$ 1,274,395
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,098	2,868
Lease Transition Adjustment	-	8,701
Amortization of Right-of-Use Asset	43,025	
Contributions Restricted to Endowment	(1,660,260)	(1,883,807)
Realized and Unrealized (Gains) Losses on Investments	(869,872)	871,184
(Increase) Decrease in Current Assets:		
Pledge Receivables	11,300	118,500
Prepaid Expenses and Other Assets	11,410	8,617
Increase (Decrease) in Current Liabilities:		
Accounts Payable	10,189	(4,091)
Accrued Expenses	(39,755)	27,391
Lease Liability	(49,845)	-
Net Cash Provided (Used) by Operating Activities	(391,834)	423,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,629,519)	(4,913,008)
Proceeds from Sale of Investments	3,777,140	2,736,774
Purchase of Property and Equipment	-	(2,829)
Net Cash Used by Investing Activities	(1,852,379)	(2,179,063)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted to Endowment	1,660,260	1,883,807
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(583,953)	128,502
Cash and Cash Equivalents - Beginning of Year	2,121,688	1,993,186
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,537,735	\$ 2,121,688

See accompanying Notes to Financial Statements.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 and other basic needs
- **Convenient, Stocked Food Pantries in Hospitals:** Allows parents/family members to stay with their sick child and reduce expenses

Student Development

The exponential impact of the Pinky Swear Foundation story is fueled by the selfless act nine-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 Pack youth program and other youth development activities embrace the servant-leadership mentality inspired by the original Pinky Swear promise.

- **Pinky Swear Pack:** Ambassador program that empowers students to participate in childhood cancer awareness and support initiatives throughout the school year.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023, there was two donors that represented 39% of total support and revenues. For the year ended December 31, 2022, there were two donors that represented 57% of total support and revenues.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 statements 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. There were \$75,000 and \$-0- conditional promises outstanding as of December 31, 2023 and 2022, respectively. 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, 2023 and 2022, 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, 2023 and 2022, an allowance was not warranted.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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 3 to 7 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.

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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Donated Goods and Services

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

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

Advertising and Marketing

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing costs charged to expense for the years ended December 31, 2023 and 2022 were \$26,310 and \$25,680, 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, family support grants, Orange Envelope grants, experience grants, and youth development grants are all directly allocated to program expenses.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

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

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

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

Income Taxes

The Organization has a tax-exempt status under Section 501(c)(3) of the IRC and Minnesota statute and corresponding tax codes. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During the years ended December 31, 2023 and 2022, the Organization did not have any uncertain tax positions.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 15, 2024, 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.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 LIQUIDITY (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,537,735	\$ 2,121,688
Pledges Receivable Within One Year	5,000	11,300
Investments Available for Use Within One Year	<u>509,168</u>	<u>536,987</u>
Liquid Financial Assets Available to Meet General Expenditures Within One Year	2,051,903	2,669,975
Less: Those Unavailable for General Expenditures Within One Year, Due to Contractual or Donor-Imposed Time or Purpose Restrictions	<u>(1,096,266)</u>	<u>(1,195,931)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 955,637</u></u>	<u><u>\$ 1,474,044</u></u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold Improvements	\$ 11,985	\$ 14,320
Furniture and Equipment	<u>4,000</u>	<u>7,102</u>
Total Property and Equipment	15,985	21,422
Less: Accumulated Depreciation	<u>11,799</u>	<u>13,138</u>
Property and Equipment, Net	<u><u>\$ 4,186</u></u>	<u><u>\$ 8,284</u></u>

Depreciation expense was \$4,098 and \$2,868 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,085,134	\$ 2,078,663
Mutual Funds/EFTs	303,528	537,399
Equities	5,859,155	3,908,931
U.S. Corporate Bonds	<u>2,778,039</u>	<u>1,778,612</u>
Total Investments	<u><u>\$ 11,025,856</u></u>	<u><u>\$ 8,303,605</u></u>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS

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

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds/EFTs	\$ 303,528	\$ -	\$ -	\$ 303,528
Equities	5,859,155	-	-	5,859,155
U.S. Corporate Bonds	-	2,778,039	-	2,778,039
Total	6,162,683	2,778,039	-	8,940,722
Cash and Cash Equivalents				2,085,134
Total	\$ 6,162,683	\$ 2,778,039	\$ -	\$ 11,025,856

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds/EFTs	\$ 537,399	\$ -	\$ -	\$ 537,399
Equities	3,908,931	-	-	3,908,931
U.S. Corporate Bonds	-	1,778,612	-	1,778,612
Total	4,446,330	1,778,612	-	6,224,942
Cash and Cash Equivalents				2,078,663
Total	\$ 4,446,330	\$ 1,778,612	\$ -	\$ 8,303,605

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Restricted for Family Assistance Programs	\$ 1,096,266	\$ 1,195,931
Restricted Endowments	10,533,188	8,064,177
Total	\$ 11,629,454	\$ 9,260,108

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 for the endowment in which 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 3 to 5 years. Each year, the Organization is authorized to draw up to 5% of the total market value of the endowment account for the Organization's operating purposes and must be in accordance with any donor restrictions. The spending percentage is calculated as 5% of the 16-quarter rolling average, using prior quarterly statements up through six months prior to the start of the budget year.

Interpretation of Relevant Law

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

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

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>
Endowment Net Assets, January 1, 2023	\$ -	\$ 8,047,877	\$ 8,047,877
Investment Return:			
Net Realized and Unrealized Gains	-	869,872	869,872
Investment Income	-	129,317	129,317
Total Investment Return	-	999,189	999,189
Contributions	-	1,660,260	1,660,260
Appropriations of Endowment Assets for Expenditure	-	(179,138)	(179,138)
Endowment Net Assets, December 31, 2023	<u>\$ -</u>	<u>\$ 10,528,188</u>	<u>\$ 10,528,188</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Endowment Net Assets, January 1, 2022	\$ -	\$ 7,004,083	\$ 7,004,083
Adoption of Endowments	-	-	-
Investment Return:			
Net Realized and Unrealized Losses	-	(871,184)	(871,184)
Investment Income	-	130,293	130,293
Total Investment Return	-	(740,891)	(740,891)
Contributions	-	1,883,807	1,883,807
Appropriations of Endowment Assets for Expenditure	-	(99,122)	(99,122)
Endowment Net Assets, December 31, 2022	<u>\$ -</u>	<u>\$ 8,047,877</u>	<u>\$ 8,047,877</u>

No board-designated endowments existed at December 31, 2023 and 2022.

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. As of December 31, 2023, funds with original gift values of \$377,995 and fair values of \$376,544 and deficiencies of \$1,451 were reported in net assets with donor restrictions. As of December 31, 2022, funds with original gift values of \$7,691,293 and fair values of \$7,442,308 and deficiencies of \$248,985 were reported in net assets with donor restrictions. These deficiencies, which the Organization believes are temporary, resulted from unfavorable market fluctuations. The board of directors determined that continued appropriations during the years ended December 31, 2023 and 2022 was prudent.

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 \$26,375 and \$23,118 during the years ended December 31, 2023 and 2022, 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. For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

<u>December 31, 2023</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Food Inventory	\$ 16,382	Programs, Pantry	None	Weighted and used average price per pound for food
Hotel and Meals	11,600	Development, Events, Operations	None	Face value/purchase price
Gift Cards	14,435	Programs, Orange Envelope, All Star Fund	None	Face value/purchase price
Tickets/Experiences	27,665	Programs, Orange Envelope, All Star Fund	None	Face value/purchase price
Other	<u>103,117</u>	Operations	None	Donated pro bono consulting fees
	<u>\$ 173,199</u>			

<u>December 31, 2022</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Food Inventory	\$ 16,270	Programs, Pantry	None	Weighted and used average price per pound for food
Hotel and Meals	32,314	Development, Events, Operations	None	Face value/purchase price
Gift Cards	17,135	Programs, Orange Envelope, All Star Fund	None	Face value/purchase price
Tickets/Experiences	<u>16,574</u>	Programs, Orange Envelope, All Star Fund	None	Face value/purchase price
	<u>\$ 82,293</u>			

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 RELATED PARTIES

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

	<u>2023</u>	<u>2022</u>
Support and Revenue from Related Individuals and Business Entities	<u>\$ 1,110,785</u>	<u>\$ 891,737</u>

NOTE 11 RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Organization leases office space under noncancelable lease agreements that expire on July 31, 2025, which include lease term extensions that are reasonably certain to be exercised. Under the terms of the agreement, the Organization is committed to annual rentals adjusted for defined escalations.

For the years ended December 31, 2023 and 2022, total rent expense was \$43,500 and \$56,804, respectively.

The following table provides quantitative information concerning the Organization's leases for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Lease Costs:		
Operating Lease Costs	\$ 45,688	\$ 45,688
Short-Term Lease Costs	2,604	11,116
Total	<u>\$ 48,292</u>	<u>\$ 56,804</u>
<u>Other Information</u>		
Operating Cash Flows from Operating Leases	\$ 45,440	\$ 44,957
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	\$ -	\$ 154,565
Weighted-Average Remaining Lease Term	1.6 years	2.6 years
Weighted-Average Discount Rate	3.25%	3.25%

A maturity analysis of annual undiscounted cash flows for lease liability as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 46,796
2025	27,961
Less Imputed Interest	(1,806)
Total	<u>\$ 72,951</u>

**PINKY SWEAR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 LINE OF CREDIT

On January 10, 2022, the Organization entered into a \$250,000 line of credit agreement. Interest accrues at the prime rate on the line of credit. Certain accounts of the Organization serve as the collateral on the line of credit and it expires on January 10, 2026.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.