

**BRAIN INJURY ASSOCIATION OF MINNESOTA
DBA: MINNESOTA BRAIN INJURY ALLIANCE
AND CONSOLIDATED AFFILIATE**

Roseville, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

**BRAIN INJURY ASSOCIATION OF MINNESOTA
DBA: MINNESOTA BRAIN INJURY ALLIANCE
AND CONSOLIDATED AFFILIATE**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance
and Consolidated Affiliate (Minnesota Stroke Association)
Roseville, Minnesota

We have audited the accompanying consolidated financial statements of Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance and Affiliate (Minnesota Stroke Association) (the "Alliance"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Alliance as of December 31, 2017 and 2016, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
April 10, 2018

**BRAIN INJURY ASSOCIATION OF MINNESOTA
DBA: MINNESOTA BRAIN INJURY ALLIANCE
AND CONSOLIDATED AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents		
Brain Injury Alliance	\$ 2,669,622	\$ 2,647,952
Minnesota Stroke Association	881,090	794,148
Total cash and cash equivalents	3,550,712	3,442,100
Accounts receivable		
Brain Injury Alliance, net of allowance for doubtful accounts of \$40,000 in 2017 and \$26,000 in 2016	738,755	636,661
Minnesota Stroke Association, net of allowance for doubtful accounts of \$20,000 in 2017 and \$0 in 2016	109,076	68,368
Total accounts receivable	847,831	705,029
Grants receivable	48,265	46,190
Prepaid expenses and other assets		
Brain Injury Alliance	27,421	35,826
Minnesota Stroke Association	30	802
Total prepaid expenses and other assets	27,451	36,628
Investments	1,250,000	1,000,000
Equipment and leasehold improvements, net	185,302	158,218
TOTAL ASSETS	\$ 5,909,561	\$ 5,388,165
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Brain Injury Alliance	\$ 38,141	\$ 43,694
Minnesota Stroke Association	82,828	73,884
Total accounts payable	120,969	117,578
Accrued expenses	283,642	255,996
Prepaid memberships	2,227	1,953
Deferred revenues		
Brain Injury Alliance	3,700	12,995
Minnesota Stroke Association	750	8,050
Total deferred revenues	4,450	21,045
Deferred rent	63,816	66,935
Total Liabilities	475,104	463,507
NET ASSETS		
Unrestricted, Brain Injury Alliance	4,493,239	4,108,674
Unrestricted, Minnesota Stroke Association	906,618	781,384
Total unrestricted	5,399,857	4,890,058
Permanently restricted	34,600	34,600
Total Net Assets	5,434,457	4,924,658
TOTAL LIABILITIES AND NET ASSETS	\$ 5,909,561	\$ 5,388,165

See accompanying notes to consolidated financial statements.

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017					2016				
	Unrestricted	Unrestricted Minnesota Stroke Association	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Unrestricted Minnesota Stroke Association	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE										
Government grants	\$ 861,212	\$ -	\$ -	\$ -	\$ 861,212	\$ 848,706	\$ -	\$ -	\$ -	\$ 848,706
Contributions	104,714	114,109	-	-	218,823	224,187	97,106	-	-	321,293
Case management fees	3,485,875	983,648	-	-	4,469,523	3,071,077	619,638	-	-	3,690,715
Fundraising event revenue	74,490	53,243	-	-	127,733	97,070	57,495	-	-	154,565
Membership dues	2,959	-	-	-	2,959	5,329	-	-	-	5,329
Investment income	3,776	-	-	-	3,776	5,125	-	-	-	5,125
Professional development conferences	108,835	675	-	-	109,510	112,130	-	-	-	112,130
Other	30,482	26,210	-	-	56,692	39,913	14,980	-	-	54,893
Total Support and Revenue	4,672,343	1,177,885	-	-	5,850,228	4,403,537	789,219	-	-	5,192,756
EXPENSES										
Program	4,046,657	1,052,651	-	-	5,099,308	3,718,416	814,851	-	-	4,533,267
Management and general	86,170	-	-	-	86,170	80,417	-	-	-	80,417
Fundraising	154,951	-	-	-	154,951	159,311	-	-	-	159,311
Total Expenses	4,287,778	1,052,651	-	-	5,340,429	3,958,144	814,851	-	-	4,772,995
CHANGE IN NET ASSETS	384,565	125,234	-	-	509,799	445,393	(25,632)	-	-	419,761
NET ASSETS - Beginning of Year	4,108,674	781,384	-	34,600	4,924,658	3,663,281	807,016	-	34,600	4,504,897
NET ASSETS - END OF YEAR	\$ 4,493,239	\$ 906,618	\$ -	\$ 34,600	\$ 5,434,457	\$ 4,108,674	\$ 781,384	\$ -	\$ 34,600	\$ 4,924,658

See accompanying notes to consolidated financial statements.

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Brain Injury Program	Minnesota Stroke Association Program	Management and General	Fundraising	Total
Salaries and wages	\$ 659,789	\$ 237,551	\$ 69,133	\$ 1,645,760	\$ 51,619	\$ 105,566	\$ 2,769,418	\$ 701,213	\$ 62,506	\$ 103,733	\$ 3,636,870
Payroll tax expense	50,616	15,984	3,996	127,873	3,996	7,992	210,457	46,620	3,996	5,328	266,401
Employee benefits	66,241	20,918	5,230	167,346	5,230	10,459	275,424	61,012	5,230	6,973	348,639
Total Salaries and Related Expenses	776,646	274,453	78,359	1,940,979	60,845	124,017	3,255,299	808,845	71,732	116,034	4,251,910
Advertising and promotion	-	213	13,260	-	-	-	13,473	22,445	-	17,493	53,411
Bad debt expense	-	-	-	43,184	-	-	43,184	58,224	-	-	101,408
Insurance	3,704	1,170	292	9,357	292	585	15,400	3,411	292	390	19,493
Contract services	48,501	9,670	2,319	18,345	1,400	2,299	82,534	5,699	399	1,001	89,633
Dues and subscriptions	213	239	218	536	228	28	1,462	484	18	28	1,992
Postage	4,089	1,455	19,608	10,278	320	641	36,391	6,262	320	3,540	46,513
Printing	1,234	1,227	43,015	1,671	62	91	47,300	15,527	111	97	63,035
Professional fees	6,039	1,893	486	15,250	486	921	25,075	8,990	486	666	35,217
Rental	49,926	15,766	3,942	126,127	3,942	7,883	207,586	45,984	3,942	5,255	262,767
Repairs and maintenance	2,385	14,101	8,106	6,024	491	377	31,484	27,407	188	771	59,850
Workshops and educational programs	250	-	-	-	-	2,470	2,720	2,256	-	250	5,226
Conference expense	-	460	-	-	-	-	460	-	-	-	460
Supplies	6,486	3,913	2,960	20,637	803	5,743	40,542	14,573	1,249	4,505	60,869
Travel expenses	6,978	5,301	2,031	53,354	193	5,814	73,671	15,905	808	1,668	92,052
Utilities	3,085	1,569	336	10,749	236	473	16,448	2,859	1,442	315	21,064
Professional development	4,009	963	365	6,636	7	790	12,770	2,275	1,248	299	16,592
Board expense	-	-	-	-	-	-	-	756	1,647	-	2,403
National Alliance dues	2,208	672	192	5,568	192	288	9,120	-	192	288	9,600
Employee recognition	759	330	1,026	1,904	82	115	4,216	869	97	77	5,259
Hiring expense	15	-	-	749	40	-	804	108	406	-	1,318
Legislative expenses	-	4,200	-	-	-	-	4,200	-	-	-	4,200
Other expenses	796	38,647	16,452	2,163	362	1,702	60,122	9,772	279	304	70,477
Total Expense before Depreciation	917,323	376,242	192,967	2,273,511	69,981	154,237	3,984,261	1,052,651	84,856	152,981	5,274,749
Depreciation	15,106	4,598	1,314	38,094	1,314	1,970	62,396	-	1,314	1,970	65,680
Total Expenses	\$ 932,429	\$ 380,840	\$ 194,281	\$ 2,311,605	\$ 71,295	\$ 156,207	\$ 4,046,657	\$ 1,052,651	\$ 86,170	\$ 154,951	\$ 5,340,429

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Brain Injury Program	Minnesota Stroke Association Program	Management and General	Fundraising	Total
Salaries and wages	\$ 704,222	\$ 227,957	\$ 69,750	\$ 1,322,103	\$ 62,962	\$ 98,178	\$ 2,485,172	\$ 551,563	\$ 59,543	\$ 102,055	\$ 3,198,333
Payroll tax expense	50,589	13,798	4,599	101,178	4,599	6,899	181,662	39,092	3,449	5,749	229,952
Employee benefits	72,492	19,770	6,590	144,984	6,590	9,885	260,311	56,016	4,943	8,237	329,507
Total Salaries and Related Expenses	827,303	261,525	80,939	1,568,265	74,151	114,962	2,927,145	646,671	67,935	116,041	3,757,792
Advertising and promotion	-	-	25,830	-	-	-	25,830	13,404	-	15,971	55,205
Bad debt expense	-	-	-	53,874	-	-	53,874	-	-	-	53,874
Insurance	3,718	1,014	338	7,436	338	507	13,351	2,873	254	422	16,900
Contract services	40,445	7,835	9,394	7,034	66	11,471	76,245	2,066	549	332	79,192
Dues and subscriptions	802	285	39	1,029	219	58	2,432	2,632	29	433	5,526
Postage	3,961	1,384	19,448	7,640	347	521	33,301	5,366	254	3,302	42,223
Printing	7,089	1,705	41,137	2,343	76	22	52,372	17,105	76	1,895	71,448
Professional fees	7,627	2,142	649	15,170	648	973	27,209	9,018	536	860	37,623
Rental	56,282	15,342	5,114	112,507	5,114	7,671	202,030	43,479	3,836	6,392	255,737
Repairs and maintenance	3,040	12,224	2,231	6,081	458	415	24,449	27,408	207	1,618	53,682
Workshops and educational programs	500	-	1,417	-	-	2,633	4,550	1,465	-	250	6,265
Conference expense	-	340	-	-	-	-	340	-	-	-	340
Supplies	5,761	3,091	9,245	14,721	853	11,765	45,436	16,673	441	6,436	68,986
Travel expenses	6,453	4,181	3,563	50,879	137	6,502	71,715	12,917	446	1,502	86,580
Utilities	3,368	1,366	403	9,621	283	425	15,466	2,956	2,123	354	20,899
Professional development	4,184	100	45	7,603	-	641	12,573	811	329	246	13,959
Board expense	-	-	-	-	-	-	-	905	1,433	-	2,338
National Alliance dues	2,592	768	192	5,088	192	288	9,120	-	192	288	9,600
Employee recognition	180	220	432	507	270	41	1,650	155	94	84	1,983
Hiring expense	55	10	-	537	49	5	656	15	15	5	691
Legislative expenses	-	3,100	-	-	-	-	3,100	-	-	-	3,100
Other expenses	593	35,359	13,549	1,968	675	1,032	53,176	8,932	354	910	63,372
Total Expense before Depreciation	973,953	351,991	213,965	1,872,303	83,876	159,932	3,656,020	814,851	79,103	157,341	4,707,315
Depreciation	17,734	5,254	1,314	34,810	1,314	1,970	62,396	-	1,314	1,970	65,680
Total Expenses	\$ 991,687	\$ 357,245	\$ 215,279	\$ 1,907,113	\$ 85,190	\$ 161,902	\$ 3,718,416	\$ 814,851	\$ 80,417	\$ 159,311	\$ 4,772,995

**BRAIN INJURY ASSOCIATION OF MINNESOTA
DBA: MINNESOTA BRAIN INJURY ALLIANCE
AND CONSOLIDATED AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 509,799	\$ 419,761
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	65,680	65,680
Change in allowance on accounts receivable	34,000	26,000
Changes in assets and liabilities		
Accounts receivable	(176,802)	(302,629)
Grants receivable	(2,075)	11,661
Prepaid expenses and other assets	9,177	(11,156)
Accounts payable	3,391	53,666
Accrued expenses	27,646	60,197
Funds held for National Alliance	-	(125,974)
Prepaid memberships	274	(1,309)
Deferred revenues	(16,595)	(46,945)
Deferred rent	(3,119)	18,501
Net Cash Flows From Operating Activities	451,376	167,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(250,000)	(250,000)
Purchases of equipment and leasehold improvements	(92,764)	-
Net Cash Flows From Investing Activities	(342,764)	(250,000)
Net Change in Cash and Cash Equivalents	108,612	(82,547)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,442,100	3,524,647
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,550,712	\$ 3,442,100

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance (the "Alliance") is a statewide nonprofit organization formed to provide support, advocacy and education for survivors of head injury and their families. The mission of the Alliance is to enhance the quality of life for persons with head injuries and their families and to work toward the prevention of head injuries. The Alliance's office is an information and resource center which provides educational materials, video tapes and rehabilitation resources. They are affiliated with the United States Brain Injury Alliance.

Minnesota Brain Injury Alliance is the sole member of the Minnesota Chapter of the National Stroke Association and has voting rights and the power to appoint and terminate directors. The Minnesota Stroke Association is a statewide nonprofit organization formed to raise awareness about stroke and to enhance the quality of life for all people coping with its sudden and long-term effects.

The services that the Alliance provides are as follows:

- > *Resource Facilitation Information and Resources* - offers on-going support after hospital discharge for persons with brain injury and their family members, and offers resources and referrals to appropriate services. The program is intended to aid with the transition from hospital back to home, work, school and the community.
- > *Education* - recognizes that everyone is a partner in learning and as a result provides quality educational opportunities for both consumers and for professional development. Educational opportunities include specialized training for consumers and professionals about brain injury and prevention and several conferences throughout the year.
- > *Systems Advocacy* - identifies the needs of children and adults living with brain injury in Minnesota and carries forward sound, progressive public policy that addresses those needs and creates equity in access to services. The creation of the Citizen Advocate network empowers and educates individuals to self-advocate with the belief that the strongest voice of change comes from people most directly affected by brain injury.
- > *Public Awareness* - is committed to producing a clear, unified message to help cultivate a deeper understanding of brain injury. This is achieved through written materials on the website, print and email newsletters, brochures, public awareness events, media relations and by building community collaborations.
- > *Case Management* - assists consumers on Traumatic Brain Injury (TBI) Waivers and Community Alternative for Disabled Individuals (CADI) Waivers, and provides Relocation Service Coordination within contracted counties and offers flexible case management services for consumers utilizing Consumer Directed Community Supports (CDCS). The consumers' choices and preferences are supported through assessments, identifying available resources, empowering personal responsibility, advocating for services needed, accessing funding sources (waiver and non-waiver) for medical, social and educational needs, and monitoring the plan of care to ensure the safety and health of the consumer.

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

- > *Volunteer Program*- provides volunteers of all abilities and backgrounds opportunities to contribute to Alliance programs, work with staff members and serve people across the state, increasing awareness of brain injury and the Alliance. Volunteers build skills while giving back to the community. Volunteer opportunities provide valuable work experience in a safe environment for persons with brain injury.

- > *Multicultural Outreach* - broadens awareness of brain injury in racially/ethnically diverse communities by working closely with existing cultural service organizations to provide education and support to professionals and community members. Through these community collaborations, the program strengthens service to communities of color, offering an empowering environment in which persons with brain injury can heal, professionals can learn how to work effectively with persons with brain injury, and community members can learn how to prevent brain injury.

Principles of Consolidation

The consolidated financial statements include the accounts of Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance and its affiliate, Minnesota Stroke Association (collectively, the "Alliance"). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Alliance defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

Receivables

Receivables are carried at the unpaid balance of the original amount billed less an estimate made for doubtful accounts which is based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

Investments

Investments, other than certificates of deposit, are recorded at fair value. Certificate of deposits are carried at cost which approximates market value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost, or in the case of donated property and equipment, at estimated fair market value at the date of the gift. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Equipment and leasehold improvements over \$1,000 are capitalized and are depreciated using the straight-line method over the shorter of their estimated useful life or the length of the lease.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Funds Held for National Alliance

The Alliance served as the fiscal agent for the United States Brain Injury Alliance. Terms of this arrangement were outlined in a Fiscal Sponsorship Agreement. This agreement ended effective December 31, 2015 and the funds were disbursed to the National Alliance's management company during the year ended December 31, 2016.

Deferred Revenues

Certain revenues applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the revenues are earned.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Alliance are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist of those resources over which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets - Net assets which consist of resources which are limited as to use by donor imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Alliance has no temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance, income from which is available to support activities of the Alliance.

Contribution Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Alliance reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Membership Dues Revenue Recognition

Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Government Grants Revenue Recognition

Grants are recorded as revenue and a related receivable when earned. Advances and/or revenues from such grants are deferred until such conditions are met or services are rendered.

Expenditures under government contracts may be subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Alliance will record such disallowance at the time the assessment is made.

The Alliance received governmental grants generated from drivers' license revenues, principally from the Minnesota Department of Health and Minnesota Department of Human Services.

Fee for Services Revenue

The Alliance contracts with the State of Minnesota to provide case management services. It also bills clients, insurance companies, HMO's and other third party payers for services provided. Revenues from these activities are recognized as the services are provided.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$53,411 and \$55,205 for the years ended December 31, 2017 and 2016, respectively.

Retirement Plan

The Alliance has a defined contribution retirement plan for employees. The plan is contributory and contributions are based on a percentage of compensation. The employer matching cost of the plan is paid currently and amounted to \$106,702 and \$91,849 for the years ended December 31, 2017 and 2016, respectively.

Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial 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. Volunteer services have been received as donations throughout the year. However, these services do not meet the above criteria, and therefore have not been recorded.

Functional Allocation of Expenses

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Alliance reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

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 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. Significant estimates include allocations to the various functional expense categories. Actual results could differ from those estimates.

Tax-Exempt Status

The Internal Revenue Service has determined that Minnesota Brain Injury Alliance and Minnesota Stroke Association are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to federal or state income taxes. However, any unrelated income may be subject to taxation.

The Alliance follows the accounting standards for contingencies in evaluating uncertain tax positions. This 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. No liability has been recognized by the Alliance for uncertain tax positions as of December 31, 2017 and 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This new guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective date for fiscal years beginning after December 15, 2018. Early application is permitted. The Alliance is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Alliance is assessing the impact this standard will have on its financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (cont.)

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Alliance is assessing the impact this standard will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Alliance has considered events and transactions for potential disclosure through April 10, 2018, which is the date that the financial statements were available to be issued.

NOTE 2 - Investments

Following is a summary of investments as of December 31, 2017 and 2016:

	2017	2016
Certificates of deposit - at cost	\$ 1,250,000	\$ 1,000,000

NOTE 3 - Equipment and Leasehold Improvements

Equipment and leasehold improvements at December 31, 2017 and 2016 are summarized as follows:

	Depreciable Lives	2017	2016
Software	3 yrs. - 5 yrs.	\$ 35,800	\$ 35,800
Furniture and equipment	5 yrs.	436,601	343,838
Total equipment and leasehold improvements		472,601	379,638
Less: Accumulated depreciation		(287,099)	(221,420)
Equipment and leasehold improvements, net		\$ 185,302	\$ 158,218

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NOTE 4 - Operating Leases

The Alliance has a noncancelable operating lease for the rental of office space that terminates in October 2028. The approximate future minimum lease payments as of December 31, 2017 are as follows:

2018	\$ 154,364
2019	158,087
2020	169,503
2021	174,501
2022	178,663
Thereafter	<u>1,144,172</u>
	<u>\$ 1,979,290</u>

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent. Rent expense on the operating lease was \$262,767 and \$255,737 for the years ended December 31, 2017 and 2016, respectively. Included in rent expense is the Alliance's proportionate share of operating expenses, which are paid in addition to minimum lease payments, per the lease agreement.

NOTE 5 - Concentrations

The Alliance reported \$861,212 and \$848,706 of government grant revenue from the State of Minnesota during the years ended December 31, 2017 and 2016, respectively, representing a portion of driver's license revenues collected by the State. The grant with the State is effective through June 30, 2018. The receivable from the State related to these grants amounted to \$48,265 and \$46,190 at December 31, 2017 and 2016, respectively.