

DARTS
AUDITED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DARTS
West St. Paul, Minnesota

We have audited the accompanying financial statements of DARTS (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DARTS as of December 31, 2018 and 2017, 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.

Correction of Errors

As discussed in Note 16 to the financial statements, an error resulted in the overstatement of previously reported amounts for accounts receivable and revenue as of December 31, 2016, was discovered by management of the Organization during the current year. Accordingly, the amount reported for accounts receivable has been restated in the 2017 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2016, to correct the error.

As also discussed in Note 16 to the financial statements, an error resulted in the overstatement of previously reported amounts for net assets without donor restrictions and understatement of previously reported amounts for net assets with donor restrictions as of December 31, 2017, was discovered by management of the Organization during the current year. Accordingly, amounts reported for contributions for the year ended December 31, 2017, have been restated in the 2017 financial statements now presented.

Our opinion is not modified with respect to these matters.

Harrington Langer & Associates

May 14, 2019

DARTS
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
ASSETS				
Cash and cash equivalents	\$ 584,017	\$ 245,116	\$ 829,133	\$ 560,112
Grants and accounts receivable, net	126,409	-	126,409	115,468
Pledges receivable	21,700	-	21,700	11,532
Prepaid expenses	103,399	-	103,399	121,803
Investments	-	748,989	748,989	824,898
Property and equipment, net	843,234	-	843,234	2,128,809
	<u>\$ 1,678,759</u>	<u>\$ 994,105</u>	<u>\$ 2,672,864</u>	<u>\$ 3,762,622</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 33,163	\$ -	\$ 33,163	\$ 144,255
Accrued expenses	50,242	-	50,242	72,193
	<u>83,405</u>	<u>-</u>	<u>83,405</u>	<u>216,448</u>
NET ASSETS				
Without donor restrictions				
Operating	138,911	-	138,911	144,092
Represented by property and equipment	851,843	-	851,843	2,133,941
Board designated funds	604,600	-	604,600	-
Purpose and time restricted net assets				
Grants and contributions	-	102,450	102,450	85,141
Accumulated deficit endowment	-	(46,130)	(46,130)	245,215
Net assets to be held in perpetuity				
Endowment	-	937,785	937,785	937,785
	<u>1,595,354</u>	<u>994,105</u>	<u>2,589,459</u>	<u>3,546,174</u>
TOTAL NET ASSETS	<u>1,595,354</u>	<u>994,105</u>	<u>2,589,459</u>	<u>3,546,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,678,759</u>	<u>\$ 994,105</u>	<u>\$ 2,672,864</u>	<u>\$ 3,762,622</u>

DARTS
STATEMENT OF FINANCIAL POSITION
December 31, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 118,635	\$ 441,477	\$ 560,112
Grants and accounts receivable, net	115,468	-	115,468
Pledges receivable	11,532	-	11,532
Prepaid expenses	121,803	-	121,803
Investments	-	824,898	824,898
Property and equipment, net	<u>2,127,043</u>	<u>1,766</u>	<u>2,128,809</u>
 TOTAL ASSETS	 <u>\$ 2,494,481</u>	 <u>\$ 1,268,141</u>	 <u>\$ 3,762,622</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 144,255	\$ -	\$ 144,255
Accrued expenses	<u>72,193</u>	<u>-</u>	<u>72,193</u>
 TOTAL LIABILITIES	 <u>216,448</u>	 <u>-</u>	 <u>216,448</u>
 NET ASSETS			
Without donor restrictions			
Operating	144,092	-	144,092
Represented by property and equipment	2,133,941	-	2,133,941
Board designated funds	-	-	-
Purpose and time restricted net assets			
Grants and contributions	-	85,141	85,141
Endowment	-	245,215	245,215
Net assets to be held in perpetuity			
Endowment	<u>-</u>	<u>937,785</u>	<u>937,785</u>
 TOTAL NET ASSETS	 <u>2,278,033</u>	 <u>1,268,141</u>	 <u>3,546,174</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,494,481</u>	 <u>\$ 1,268,141</u>	 <u>\$ 3,762,622</u>

DARTS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions			With Donor Restrictions	Total 2018	Total 2017
	Operating	Property & Equipment	Board Designated			
REVENUE AND SUPPORT						
Government service contracts and grants	\$ 607,515	\$ -	\$ -	\$ -	\$ 607,515	\$ 510,621
United Way support	14,503	-	-	-	14,503	154,426
Foundation support	5,342	-	-	60,000	65,342	67,175
Contributions	329,697	56,846	-	42,450	428,993	442,186
Rider fares, program fees and rents	599,695	-	-	-	599,695	584,833
Special events, net of expenses of \$17,920 and \$18,415, respectively	86,737	-	-	-	86,737	66,444
Miscellaneous	3,127	(345,513)	-	-	(342,386)	2,509
Investment income, net	11,933	-	-	(46,131)	(34,198)	198,092
In-kind contributions	13,656	-	-	-	13,656	11,999
Endowment funds transfer	245,215	-	-	(245,215)	-	-
Net assets released from restrictions	83,375	1,765	-	(85,140)	-	-
TOTAL REVENUE AND SUPPORT	2,000,795	(286,902)	-	(274,036)	1,439,857	2,038,285
EXPENSES						
Program services	1,675,364	165,051	-	-	1,840,415	1,938,988
Administrative	386,418	14,670	-	-	401,088	397,784
Fundraising	148,879	6,190	-	-	155,069	183,264
TOTAL EXPENSES	2,210,661	185,911	-	-	2,396,572	2,520,036
Transfer of net assets	204,685	(809,285)	604,600	-	-	-
CHANGE IN NET ASSETS	(5,181)	(1,282,098)	604,600	(274,036)	(956,715)	(481,751)
NET ASSETS, BEGINNING	144,092	2,133,941	-	1,268,141	3,546,174	4,027,925
NET ASSETS, ENDING	\$ 138,911	\$ 851,843	\$ 604,600	\$ 994,105	\$ 2,589,459	\$ 3,546,174

DARTS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Property & Equipment	Board Designated		
REVENUE AND SUPPORT					
Government service contracts and grants	\$ 510,621	\$ -	\$ -	\$ -	\$ 510,621
United Way support	154,426	-	-	-	154,426
Foundation support	20,925	-	-	46,250	67,175
Contributions	405,061	-	-	37,125	442,186
Rider fares, program fees and rents	584,833	-	-	-	584,833
Special events, net of expenses of \$18,415	66,444	-	-	-	66,444
Miscellaneous	2,509	-	-	-	2,509
Investment income, net	11,203	-	-	186,889	198,092
In-kind contributions	11,999	-	-	-	11,999
Endowment funds transfer	360,000	-	-	(360,000)	-
Net assets released from restrictions	63,366	10,592	-	(73,958)	-
TOTAL REVENUE AND SUPPORT	<u>2,191,387</u>	<u>10,592</u>	<u>-</u>	<u>(163,694)</u>	<u>2,038,285</u>
EXPENSES					
Program services	1,763,949	175,039	-	-	1,938,988
Administrative	384,309	13,475	-	-	397,784
Fundraising	174,894	8,370	-	-	183,264
TOTAL EXPENSES	<u>2,323,152</u>	<u>196,884</u>	<u>-</u>	<u>-</u>	<u>2,520,036</u>
Transfer of net assets	-	23,249	(23,249)	-	-
CHANGE IN NET ASSETS	<u>(131,765)</u>	<u>(163,043)</u>	<u>(23,249)</u>	<u>(163,694)</u>	<u>(481,751)</u>
NET ASSETS, BEGINNING, original	285,698	2,296,984	23,249	1,431,835	4,037,766
CORRECTION OF AN ERROR	(9,841)	-	-	-	(9,841)
NET ASSETS, BEGINNING, restated	<u>275,857</u>	<u>2,296,984</u>	<u>23,249</u>	<u>1,431,835</u>	<u>4,027,925</u>
NET ASSETS, ENDING	<u>\$ 144,092</u>	<u>\$ 2,133,941</u>	<u>\$ -</u>	<u>\$ 1,268,141</u>	<u>\$ 3,546,174</u>

DARTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (956,715)	\$ (481,751)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	185,911	196,884
Bad debt expense	11,723	45,322
Realized and unrealized (gain) loss on investments, net	47,693	(180,822)
Loss on sale of property and equipment	344,393	-
Interest and dividends reinvested	(16,603)	(23,606)
Decrease (increase) in:		
Grants and accounts receivable, net	(22,664)	92,094
Pledges receivable, net	(10,168)	8,641
Prepaid expenses	18,404	25,133
Increase (decrease) in:		
Accounts payable	(111,092)	114,166
Accrued expenses	(21,951)	(21,440)
	(531,069)	(225,379)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(58,000)	(44,070)
Proceeds from sale of property and equipment	813,271	-
Proceeds from investments	44,819	719,627
	800,090	675,557
NET CASH PROVIDED BY INVESTING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	269,021	450,178
CASH AND CASH EQUIVALENTS, BEGINNING	560,112	109,934
CASH AND CASH EQUIVALENTS, ENDING	\$ 829,133	\$ 560,112

DARTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Admin- istrative	Fundraising	Total
Salaries	\$ 1,025,544	\$ 209,342	\$ 100,383	\$ 1,335,269
Benefits and payroll taxes	193,781	38,213	18,673	250,667
Total payroll expenses	1,219,325	247,555	119,056	1,585,936
Professional fees	117,926	121,366	9,729	249,021
Participant expenses	20,873	556	492	21,921
Office expenses	65,656	3,681	9,821	79,158
Occupancy costs	105,074	7,657	3,293	116,024
Transportation	121,362	211	24	121,597
Staff and volunteer expenses	6,343	346	207	6,896
Other expenses	18,805	5,046	6,257	30,108
Depreciation	165,051	14,670	6,190	185,911
TOTAL EXPENSES	\$ 1,840,415	\$ 401,088	\$ 155,069	\$ 2,396,572

DARTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Admin- istrative	Fundraising	Total
Salaries	\$ 1,020,912	\$ 210,504	\$ 122,674	\$ 1,354,090
Benefits and payroll taxes	196,054	46,792	25,830	268,676
Total payroll expenses	1,216,966	257,296	148,504	1,622,766
Professional fees	165,775	111,419	8,239	285,433
Participant expenses	16,649	291	967	17,907
Office expenses	66,237	2,540	7,075	75,852
Occupancy costs	107,964	6,948	4,316	119,228
Transportation	102,417	193	65	102,675
Staff and volunteer expenses	7,291	356	323	7,970
Other expenses	80,650	5,266	5,405	91,321
Depreciation	175,039	13,475	8,370	196,884
TOTAL EXPENSES	\$ 1,938,988	\$ 397,784	\$ 183,264	\$ 2,520,036

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

DARTS (the Organization) develops and administers programs and services that serve the transportation, health, physical, recreational, social, and intellectual needs of seniors and disadvantaged citizens who primarily reside in Minnesota's Dakota County.

Basis of presentation:

The financial statements of DARTS have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

Measure of Operations:

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to DARTS' ongoing senior services.

Contributions and Support:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants and Contracts:

Government grants and contract funds are recorded as exchange contracts and revenue is recorded when earned. Revenue is earned when eligible services or expenditures, as defined in each grant or contract, are provided or made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash balances in financial institutions insured by the FDIC. At December 31, 2018 and 2017, the Organization held no uninsured cash balances.

Investments:

Investments primarily consist of funds held by the Saint Paul Foundation and are carried at fair value. Donated investments are recorded at fair market value at the date of donation.

Allowance for Doubtful Accounts:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. As of December 31, 2018 and 2017, management has provided an allowance of \$988 and \$2,628, respectively.

Property and Equipment:

Purchased property and equipment are stated at cost. Donated property and equipment are recorded at fair market value as of the date donated. Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$185,911 and \$196,884, respectively.

Volunteer Services:

Donated services are an integral part of the Organization. Volunteer service hours for the years ended December 31, 2018 and 2017 totaled approximately 14,800 and 20,600, respectively.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense amounted to \$12,173 and \$17,355 for the years ended December 31, 2018 and 2017, respectively.

Functional Expenses:

Expenses are charged to each program based on direct expenditures incurred. Expenditures not directly related to programs are allocated based on management's best estimates of related program salary expenses or other underlying factors.

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

Reclassifications:

Certain numbers in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 14, 2019, the date the financial statements were available to be issued.

Income Tax Status:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of state income tax laws, with the exception of certain business activities that are not related to the Organization's exempt purpose. For the years ended December 31, 2018 and 2017, the financial statements reflect no provision for unrelated business income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for any uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. DARTS has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Land and improvements	\$ 72,000	\$ 1,144,575
Building and building improvements	2,128,730	3,945,164
Vehicles	336,734	330,442
Computer equipment	156,832	267,719
Furniture and equipment	413,721	434,162
	3,108,017	6,122,062
Less: accumulated depreciation	(2,264,783)	(3,993,253)
Property and equipment, net	\$ 843,234	\$ 2,128,809

NOTE 3. FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for which Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

The Organization's investments are included in investments held at The St. Paul Foundation. Investments held at The St. Paul Foundation are pooled with other organizations' funds and invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. A substantial portion of the underlying assets at the foundation is measured at fair value using Level 1 and Level 2 inputs. DARTS' ownership in such investments is represented by an undivided interest in investment portfolios managed by the foundation, not in the underlying assets themselves. The undivided interest in these portfolios are not themselves publicly traded nor can they be valued based on observable direct or indirect inputs. Accordingly, they are reported as Level 3 measurements.

The Unemployment Services Trust is valued at the amount reported by the trust based on the quoted prices of the underlying investment holdings. This asset is level 2 on the fair value hierarchy. There were no changes in the valuation methodologies.

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table set forth by level, within the fair value hierarchy, is the Organization's investments as of December 31, 2018 and 2017:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
The St. Paul Foundation Unemployment Service Trust	\$ -	\$ -	\$ 748,989	\$ 748,989
	-	76,561	-	76,561
Total	\$ -	\$ 76,561	\$ 748,989	\$ 825,550
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
The St. Paul Foundation Unemployment Service Trust	\$ -	\$ -	\$ 824,898	\$ 824,898
	-	88,532	-	88,532
Total	\$ -	\$ 88,532	\$ 824,898	\$ 913,430

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of year	\$ 824,898	\$ 1,340,097
Withdrawals	(29,778)	(702,088)
Realized and unrealized gains (losses)	(33,996)	204,103
Fees	(12,135)	(17,214)
	\$ 748,989	\$ 824,898

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

For the years ended December 31, 2018 and 2017, investment income (loss) consisted of the following:

	2018	2017
Interest and dividends	\$ 13,957	\$ 23,310
Realized and unrealized gains	(47,693)	180,822
Management fees	(12,135)	(17,214)
Income from bequest funds (note 4)	11,673	11,174
	\$ (34,198)	\$ 198,092

NOTE 4. FUNDS HELD IN TRUST BY OTHERS

The Organization is the benefactor of two bequests that are permanently held in trust by the St. Paul Foundation. Under provisions of one of the bequests, income on the underlying funds is available to the Organization for transit-related activities. Grants paid to the Organization under the second bequest become unrestricted funds to the Organization. Accordingly, the balance of these funds, totaling \$286,780 and \$315,464, as of December 31, 2018 and 2017, respectively, is not reflected in the Organization's statements of financial position. At December 31, 2018 and 2017, included in investment income are proceeds received under these bequests totaling \$11,673 and \$11,174, respectively.

NOTE 5. ENDOWMENT

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of DARTS has interpreted the 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 funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 5. ENDOWMENT (continued)

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 Organization has adopted investment and spending policies for investment assets to support the mission by providing earnings and capital appreciation to support agency programs, capital expenditures, and board-directed initiatives through a strategic plan that strives to maintain and grow the investment corpus and provide annual operating earnings to supports DARTS' mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds.

DARTS' endowment is invested at St. Paul Foundation (the Foundation) in a fund known as the DARTS Endowment Fund (the Fund) and adopted the spending policy of the Foundation. The Foundation's current spending policy provides for an annual distribution equal to 5.25% of a moving five-year average but not less than 4.5% of the Fund's current market value nor more than 6% of the current market value, less administrative fees. The Foundation may, at its discretion, distribute principal of the Fund to DARTS in such amounts, at such times, and for such charitable purposes as the Foundation deems appropriate.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$937,785, fair values of \$891,655, and deficiencies of \$46,130 were reported in net assets with donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. ENDOWMENT (continued)

Endowment net asset composition by type of fund at December 31, 2018 and 2017 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2018</u>			
Donor-restricted endowment funds			
Original donor-restricted amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 937,785	\$ 937,785
Accumulated investment losses	-	(46,130)	(46,130)
	<u>\$ -</u>	<u>\$ 891,655</u>	<u>\$ 891,655</u>
<u>2017</u>			
Donor-restricted endowment funds			
Original donor-restricted amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 937,785	\$ 937,785
Accumulated investment gains	-	245,215	245,215
	<u>\$ -</u>	<u>\$ 1,183,000</u>	<u>\$ 1,183,000</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, 1/1/17	\$ -	\$ 1,356,112	\$ 1,356,112
Investment return, net		186,888	186,888
Appropriated for expenditure	-	(360,000)	(360,000)
Endowment net assets, 12/31/17	-	1,183,000	1,183,000
Investment return, net		(46,130)	(46,130)
Appropriated for expenditure	-	(245,215)	(245,215)
Endowment net assets, 12/31/18	<u>\$ -</u>	<u>\$ 891,655</u>	<u>\$ 891,655</u>

NOTE 6. BORROWING ARRANGEMENT

The Organization maintains credit card accounts of which they can borrow up to \$20,000 for both years ended December 31, 2018 and 2017. Advances on this credit card accrue interest at a rate of 15.24% and 13.99% for the years ended December 31, 2018 and 2017, respectively. There were outstanding advances of \$5,130 and \$704 on this credit card account at December 31, 2018 and 2017, respectively.

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NOTE 7. LEASE COMMITMENTS

The Organization leases equipment and storage under various operating leases expiring through September 2021. Rent expense amounted to approximately \$7,500 and \$9,500 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rental payments under these leasing arrangements at December 31, 2018 consisted of the following:

Year Ending December 31,	Amount
2019	\$ 5,832
2020	5,832
2021	4,374
	<u>16,038</u>
	<u>\$ 16,038</u>

NOTE 8. PENSION PLAN

The Organization has a 401(k) plan covering eligible employees, as defined by the plan. The Organization made contributions of \$5,601 and \$6,282 to the plan for the years ended December 31, 2018 and 2017, respectively.

NOTE 9. BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors has designated amounts to a property and equipment reserve fund. The fund balance was \$604,600 and \$0 as of December 31, 2018 and 2017, respectively.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions consisted of the following:

	2018	2017
Subject to expenditure for specified purpose:		
Government grants and program fees	\$ -	\$ 1,765
Operating support	102,450	83,376
Endowments:		
Subject to endowment spending policy and appropriation		
Operating support	-	245,215
Underwater endowments	(46,130)	-
Investment to be held in perpetuity	937,785	937,785
	<u>\$ 994,105</u>	<u>\$ 1,268,141</u>

DARTS
NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions		
Government grants and program fees	\$ 1,765	\$ 51,616
Operating support	83,375	22,342
Endowments:		
Subject to endowment spending policy and appropriation		
For general operation activities	245,215	360,000
	\$ 330,355	\$ 433,958

NOTE 11. RENTAL INCOME

The Organization leased office, garage and parking space to unrelated companies under operating leases expiring through March 31, 2020. For the years ended December 31, 2018 and 2017, the Organization received rental income of \$92,932 and \$100,756, respectively. Pursuant to the lease agreement, effective October 15, 2018, the Organization terminated these leases.

NOTE 12. CONTINGENCIES

The Organization participates in a self-insured pool for its property, liability and workers compensation insurance. If the pool experienced significant loss claims or a reduction in participants could be liable to contribute additional funds to the pool. The Organization has recorded a liability, in the event it should have to contribute to the pool, of \$0 and \$22,980, as of December 31, 2018 and 2017, respectively.

NOTE 13. UNEMPLOYMENT SERVICES TRUST

The Organization makes contributions to an Unemployment Services Trust. The trust is a pooled fund. The trust is used to pay unemployment claims made to the Organization. The trust's pooled assets were comprised of domestic and international equities, domestic bonds, and cash and cash equivalents. The trust is recorded in prepaid expenses on the statement of financial position.

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NOTES TO FINANCIAL STATEMENTS

NOTE 14. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenditure within one year as of December 31, 2018:

	2018	2017
Financial Assets at Year-End		
Cash and cash equivalents	\$ 829,133	\$ 560,112
Grants and accounts receivable, net	126,409	115,468
Pledges receivable	21,700	11,532
Investments	748,989	824,898
Total financial assets	1,726,231	1,512,010
Less amounts not available to be used within one year		
Net assets with donor restrictions	994,005	1,268,141
Board designated funds	604,600	-
Less net assets with restrictions to be met in less than one year	(102,450)	(85,140)
Financial assets available to meet general expenditures		
within one year	\$ 230,076	\$ 329,009

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization designates a significant portion of its net assets without donor restrictions. All board-designated funds can be made available to meet operating needs if necessary.

NOTE 15. AFFILIATIONS

During 2018, DARTS formed a subsidiary, 1635 Properties, LLC, with DARTS as the sole owner, to become a member in a partnership, known as WSP Senior I, LLC, a Minnesota limited liability company. WSP Senior Housing I, LLC is partnering with a Limited Partner Investor acting as WSP Senior Housing I, LLLP, a Minnesota limited liability limited partnership to develop a senior affordable apartment complex named The Winslow. WSP Senior Housing I, LLLP has acquired 3 acres of land from DARTS for the construction of the complex.

NOTE 16. CORRECTION OF ERRORS

During the current year, it was determined that certain revenue during the year ended December 31, 2016, was incorrectly reported as income instead of being applied to an outstanding account receivable. Therefore, a reclassification was made to reduce accounts receivable and revenues by \$9,841.

During the current year, it was determined that certain revenue earned during the year ended December 31, 2017, was incorrectly reported as net asset without donor restrictions rather than net assets with donor restrictions. Therefore, a reclassification was made to contributions of \$37,125. The reclassification had no effect on total net assets or change in net assets for the year ended.

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NOTES TO FINANCIAL STATEMENTS

NOTE 16. CORRECTION OF ERRORS (continued)

The changes have the following effects on the prior year financial statements:

	<u>As Originally Presented</u>	<u>After Correction</u>
Accounts receivable at December 31, 2017	\$ 125,309	\$ 115,468
Net Assets at December 31, 2017	\$ 4,037,766	\$ 4,027,925
Contributions without donor restrictions at December 31, 2017	\$ 442,186	\$ 405,061
Contributions with donor restrictions at December 31, 2017	\$ -	\$ 37,125