

**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, 2016 and 2015

**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, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2016 and 2015, 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 11, 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	ASSETS	
	2016	2015
Cash and cash equivalents		
Brain Injury Alliance	\$ 2,647,952	\$ 2,649,467
Minnesota Stroke Association	794,148	875,180
Total cash and cash equivalents	3,442,100	3,524,647
Accounts receivable		
Brain Injury Alliance, net of allowance for doubtful accounts of \$26,000 in 2016 and \$0 in 2015	636,661	428,400
Minnesota Stroke Association	68,368	-
Total accounts receivable	705,029	428,400
Grants receivable	46,190	57,851
Prepaid expenses and other assets		
Brain Injury Alliance	35,826	24,811
Minnesota Stroke Association	802	661
Total prepaid expenses and other assets	36,628	25,472
Investments	1,000,000	750,000
Equipment and leasehold improvements, net	158,218	223,898
TOTAL ASSETS	\$ 5,388,165	\$ 5,010,268
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Brain Injury Alliance	\$ 43,694	\$ 8,367
Minnesota Stroke Association	73,884	55,545
Total accounts payable	117,578	63,912
Accrued expenses	255,996	195,799
Funds held for National Alliance	-	125,974
Prepaid memberships	1,953	3,262
Deferred revenues		
Brain Injury Alliance	12,995	54,710
Minnesota Stroke Association	8,050	13,280
Total deferred revenues	21,045	67,990
Deferred rent	66,935	48,434
Total Liabilities	463,507	505,371
NET ASSETS		
Unrestricted, Brain Injury Alliance	4,108,674	3,663,281
Unrestricted, Minnesota Stroke Association	781,384	807,016
Total unrestricted	4,890,058	4,470,297
Permanently restricted	34,600	34,600
Total Net Assets	4,924,658	4,504,897
TOTAL LIABILITIES AND NET ASSETS	\$ 5,388,165	\$ 5,010,268

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016					2015				
	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	\$ 848,706	\$ -	\$ -	\$ -	\$ 848,706	\$ 864,158	\$ -	\$ -	\$ -	\$ 864,158
Contributions	224,187	97,106	-	-	321,293	141,978	80,142	-	-	222,120
Case management fees	3,071,077	619,638	-	-	3,690,715	2,599,236	529,450	-	-	3,128,686
Fundraising event revenue	97,070	57,495	-	-	154,565	89,597	66,705	-	-	156,302
Membership dues	5,329	-	-	-	5,329	6,307	-	-	-	6,307
Investment income (loss)	5,125	-	-	-	5,125	(2,210)	-	-	-	(2,210)
Professional development conferences	112,130	-	-	-	112,130	110,085	25	-	-	110,110
Other	39,913	14,980	-	-	54,893	42,065	14,530	-	-	56,595
Total Support and Revenue	4,403,537	789,219	-	-	5,192,756	3,851,216	690,852	-	-	4,542,068
EXPENSES										
Program	3,718,416	814,851	-	-	4,533,267	3,354,918	578,436	-	-	3,933,354
Management and general	80,417	-	-	-	80,417	74,323	-	-	-	74,323
Fundraising	159,311	-	-	-	159,311	152,573	-	-	-	152,573
Total Expenses	3,958,144	814,851	-	-	4,772,995	3,581,814	578,436	-	-	4,160,250
CHANGE IN NET ASSETS	445,393	(25,632)	-	-	419,761	269,402	112,416	-	-	381,818
NET ASSETS - Beginning of Year	3,663,281	807,016	-	34,600	4,504,897	3,393,879	694,600	-	34,600	4,123,079
NET ASSETS - END OF YEAR	\$ 4,108,674	\$ 781,384	\$ -	\$ 34,600	\$ 4,924,658	\$ 3,663,281	\$ 807,016	\$ -	\$ 34,600	\$ 4,504,897

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, 2016

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Total 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
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Total Program	Minnesota Stroke Association Program	Management and General	Fundraising	Total
Salaries and wages	\$ 684,746	\$ 203,160	\$ 61,331	\$ 1,102,004	\$ 56,868	\$ 78,620	\$ 2,186,729	\$ 380,108	\$ 56,779	\$ 90,211	\$ 2,713,827
Payroll tax expense	48,668	14,195	4,056	87,197	4,056	7,097	165,269	29,404	2,028	6,084	202,785
Employee benefits	75,329	21,971	6,277	134,965	6,277	10,986	255,805	45,511	3,139	9,416	313,871
Total Salaries and Related Expenses	808,743	239,326	71,664	1,324,166	67,201	96,703	2,607,803	455,023	61,946	105,711	3,230,483
Advertising and promotion	-	-	11,970	-	-	1,271	13,241	11,094	-	12,260	36,595
Bad debt expense	-	-	-	37,333	-	-	37,333	-	-	-	37,333
Insurance	2,528	737	211	4,530	211	369	8,586	1,528	105	316	10,535
Contract services	71,056	13,139	3,939	44,266	1,844	3,172	137,416	21,341	923	3,718	163,398
Dues and subscriptions	392	440	30	701	210	56	1,829	1,748	23	604	4,204
Postage	4,662	1,364	20,105	8,237	377	660	35,405	6,401	189	4,116	46,111
Printing	3,991	2,198	41,466	3,074	73	142	50,944	17,854	77	2,198	71,073
Professional fees	8,848	2,632	717	15,843	717	1,285	30,042	7,739	420	1,075	39,276
Rental	53,323	15,351	4,524	97,757	4,524	7,675	183,154	34,012	2,504	6,544	226,214
Repairs and maintenance	2,998	12,856	250	5,371	431	437	22,343	3,333	125	2,103	27,904
Workshops and educational programs	-	-	-	-	-	1,233	1,233	1,285	-	250	2,768
Conference expense	-	440	-	-	-	-	440	-	-	-	440
Supplies	4,947	2,375	892	12,547	498	3,695	24,954	3,863	834	6,114	35,765
Travel expenses	7,914	3,979	303	49,303	144	2,946	64,589	8,885	70	2,187	75,731
Utilities	3,023	1,613	324	7,691	239	418	13,308	2,053	1,928	359	17,648
Professional development	5,422	1,261	437	10,031	297	1,257	18,705	204	1,181	215	20,305
Board expense	-	-	-	-	-	-	-	495	1,938	-	2,433
National Alliance dues	2,688	864	192	4,800	192	384	9,120	-	192	288	9,600
Employee recognition	567	126	282	854	249	52	2,130	238	256	45	2,669
Hiring expense	125	10	-	290	10	-	435	-	45	-	480
Legislative expenses	-	8,925	-	-	-	-	8,925	-	-	-	8,925
Other expenses	974	33,457	63	1,882	383	696	37,455	1,340	608	3,032	42,435
Total Expense before Depreciation	982,201	341,093	157,369	1,628,676	77,600	122,451	3,309,390	578,436	73,364	151,135	4,112,325
Depreciation	13,418	4,313	959	23,962	959	1,917	45,528	-	959	1,438	47,925
Total Expenses	\$ 995,619	\$ 345,406	\$ 158,328	\$ 1,652,638	\$ 78,559	\$ 124,368	\$ 3,354,918	\$ 578,436	\$ 74,323	\$ 152,573	\$ 4,160,250

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 419,761	\$ 381,818
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	65,680	47,925
Net gain on investments	-	2,210
Change in allowance on accounts receivable	26,000	-
Changes in assets and liabilities		
Accounts receivable	(302,629)	(739)
Grants receivable	11,661	12,367
Prepaid expenses and other assets	(11,156)	(9,143)
Accounts payable	53,666	21,147
Accrued expenses	60,197	(6,706)
Funds held for National Alliance	(125,974)	26,618
Prepaid memberships	(1,309)	715
Deferred revenues	(46,945)	56,265
Deferred rent	18,501	48,434
Net Cash Flows From Operating Activities	<u>167,453</u>	<u>580,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(250,000)	(750,000)
Proceeds from sales of investments	-	541,747
Purchases of equipment and leasehold improvements	-	(99,810)
Net Cash Flows From Investing Activities	<u>(250,000)</u>	<u>(308,063)</u>
Net Change in Cash and Cash Equivalents	(82,547)	272,848
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,524,647</u>	<u>3,251,799</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,442,100</u>	<u>\$ 3,524,647</u>

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015

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 \$55,205 and \$36,595 for the years ended December 31, 2016 and 2015, 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 \$91,849 and \$76,750 for the years ended December 31, 2016 and 2015, 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.

**BRAIN INJURY ASSOCIATION OF MINNESOTA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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, 2016 and 2015.

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 for fiscal years beginning after December 15, 2016. 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, 2016 and 2015

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 11, 2017 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, 2016 and 2015:

	2016	2015
Certificates of deposit - at cost	\$ 1,000,000	\$ 750,000

NOTE 3 - Equipment and Leasehold Improvements

Equipment and leasehold improvements at December 31, 2016 and 2015 are summarized as follows:

	Depreciable Lives	2016	2015
Software	3 yrs. - 5 yrs.	\$ 35,800	\$ 35,800
Furniture and equipment	5 yrs.	343,838	343,838
Total equipment and leasehold improvements		379,638	379,638
Less: Accumulated depreciation		(221,420)	(155,740)
Equipment and leasehold improvements, net		\$ 158,218	\$ 223,898

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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 2023. The approximate future minimum lease payments as of December 31, 2016 are as follows:

2017	\$	113,095
2018		116,819
2019		120,542
2020		131,750
2021		135,704
Thereafter		<u>258,836</u>
	\$	<u>876,746</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 \$255,737 and \$226,214 for the years ended December 31, 2016 and 2015, 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 \$848,706 and \$864,158 of government grant revenue from the State of Minnesota during the years ended December 31, 2016 and 2015, 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 \$46,190 and \$57,851 at December 31, 2016 and 2015, respectively.