THE SHERIDAN STORY
(A Non-Profit Corporation)

FINANCIAL STATEMENTS

Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

THE SHERIDAN STORY

We have audited the accompanying statement of financial position of The Sheridan Story (a nonprofit organization) as of June 30, 2016, and we were engaged to audit the related statements of activities and changes in net assets and cash flows for the year 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities and changes in net assets or cash flows.

We conducted our audit of the statement of financial position in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statement of financial position, except as noted in the Basis for Qualified Opinion paragraph.

Basis for Disclaimer of Opinion on Results of Operations and Cash Flows

We did not observe the physical inventories taken as of June 30, 2016 and 2015 (stated at $45,378 and $12,840), and we have not been able to obtain sufficient appropriate audit evidence about inventory quantities at those dates by other auditing procedures. Also, in accordance with the terms of our engagement, were not able to apply audit procedures necessary to obtain sufficient appropriate audit evidence about the amounts comprising deferred revenue at June 30, 2015. The amount of inventory at June 30, 2016 and 2015, and the amount of deferred revenue at June 30, 2015, materially affects the determination of the statements of activities and change to net assets and cash flows for the year ended June 30, 2016.

Disclaimer of Opinion on Results of Operations and Cash Flows

Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statements of activities and changes to net assets and cash flows for the year ended June 30, 2016. Accordingly, we do not express an opinion on the statements of activities and changes to net assets and cash flows for the year ended June 30, 2016.

Basis for Qualified Opinion

We did not observe in the statement of financial position physical inventories as of June 30, 2016 (stated at $45,378). Consequently, we were unable to obtain sufficient appropriate audit evidence about inventory quantities by other audit procedures.

Qualified Opinion on Statement of Financial Position

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the statement of financial position present fairly, in all material respects, the financial position of The Sheridan Story as of June 30, 2016 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the schedule of functional expenses.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
May 5, 2017

THE SHERIDAN STORY

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS		
Cash	$	292,186
Pledges receivable		40,746
Inventory		45,378
Prepaid expenses		11,037
TOTAL CURRENT ASSETS		389,347
PROPERTY AND EQUIPMENT		
Office furniture and equipment		91,252
Less accumulated depreciation		(42,620)
NET PROPERTY AND EQUIPMENT		48,632
OTHER ASSETS		
Deposits		2,500
TOTAL ASSETS	$	440,479

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	19,881
Accrued expenses		10,392
Deferred revenue		205,899
TOTAL CURRENT LIABILITIES		236,172
NET ASSETS		
Unrestricted		169,107
Temporarily restricted		35,200
TOTAL NET ASSETS		204,307
TOTAL LIABILITIES AND NET ASSETS	$	440,479

See Independent Auditor’s Report
See Notes to Financial Statements

THE SHERIDAN STORY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Partnership & sponsor revenue	$ -	$ 410,980	$ 410,980
Grants	126,117	45,200	171,317
Individual contributions	138,544	2,461	141,005
Churches	21,186	-	21,186
Donated goods and services	129,447	-	129,447
Other income	1,461	-	1,461
Net assets released from restriction	486,691	(486,691)	-
TOTAL SUPPORT AND REVENUE	903,446	(28,050)	875,396
FUNCTIONAL EXPENSES			
Program services	739,074	-	739,074
Management and general	62,433	-	62,433
Fund raising	41,370	-	41,370
TOTAL FUNCTIONAL EXPENSES	842,877	-	842,877
INCREASE (DECREASE) IN NET ASSETS	60,569	(28,050)	32,519
NET ASSETS, BEGINNING	108,538	63,250	171,788
NET ASSETS, END	$ 169,107	$ 35,200	$ 204,307

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THE SHERIDAN STORY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 32,519
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation	23,753
Donated food inventory	(16,939)
Changes in operating assets and liabilities:	
Prepaid expenses	(10,037)
Pledges receivable	(40,625)
Inventory	(15,599)
Accounts payable	17,424
Accrued expenses	(317)
Deferred revenue	41,482
NET CASH FLOWS FROM OPERATING ACTIVITIES	31,661
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(14,847)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(14,847)
NET INCREASE	16,814
CASH AND CASH EQUIVALENTS	
BEGINNING OF YEAR	275,372
END OF YEAR	$ 292,186

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(1) Description of organization and summary of significant accounting policies

The Organization – The Sheridan Story (the Organization), based in Minneapolis, Minnesota, is a 501(c)(3) non-profit organization. Over 200,000 children in the state of Minnesota live in food insecurity and do not always know if they will receive their next meal. The Sheridan Story's purpose is to respond to this need by closing the weekend food gap between Friday and Monday, when children are not able to participate in the free or reduced meal programs at school.

We are an ever-growing network of weekend food programs, commonly called backpack programs, operating in multiple schools. Our organizational model is unique in that The Sheridan Story provides logistical expertise and project execution while leveraging community partnerships for funding and volunteers. We work right here in Minnesota. Most of our work is in the Twin Cities area, but we work in greater Minnesota, as well.

Description of program – The Organization provides food to close the weekend food gap between Friday and Monday, when children are not able to participate in the free or reduced meal programs at school.

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organization is a non-private foundation and contributions to the Organization qualify as a charitable deduction by the contributor.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2016.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

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

(1) **Description of organization and summary of significant accounting policies (continued)**

Financial statement presentation - The Organization reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted - Resources over which the Board of Directors has discretionary control.

- Temporarily restricted with respect to time or purpose - Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.

- Permanently restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently. At this time, the Organization has no such permanently restricted resources.

Revenue recognition – The Organization recognizes contributions, grants, and sponsorships as revenue when they are received or unconditionally pledged.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Donated goods and services – Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

(1) Description of organization and summary of significant accounting policies (continued)

Pledges receivable – Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable). Management considers all receivables to be fully collectible at year-end and accordingly, an allowance for doubtful accounts has not been recorded.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are expected to be received.

Inventories – Inventories consist of both the food to make the bags, as well as finished bags that are ready to be distributed to schools. The food inventory is valued at the lower of cost or net realizable value. The finished bags are recorded at the cost of the build-up of the cost of inventory included in the bags.

Property and equipment – The Organization capitalizes all expenditures of property and equipment with a useful life of greater than 3 years, and a cost in excess of $5,000, or similar property and equipment purchased together with a total cost in excess of $10,000. Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. Depreciation is computed using the straight line method over estimated useful lives of three to five years. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant improvements are capitalized. For the year ended June 30, 2016, depreciation expense amounted to $23,753.

Deferred revenue – Conditional contributions received in advance of conditions being met are recorded as deferred revenue until the contribution becomes unconditional, at which time the support is recognized as contribution revenue.

Functional allocation of expenses – The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited.

Subsequent events policy - Subsequent events have been evaluated through May 5, 2017 which is the date the financial statements were available to be issued.

(2) Restricted net assets

At June 30, 2016 temporarily restricted net assets of $35,200 consists of grants that are time restricted for future period.

(3) Net assets released from restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the time restriction expiring for the year ended June 30, 2016 are as follows:

Sponsor funds	$	410,980
Time restricted grants for future period		75,711
Total	$	486,691

(4) Donated goods and services

The Organization received various donated goods and services as noted below. Support ranged from food, donated time, software and storage. The donated goods and services to the Organization for the year ended June 30, 2016 are as follows:

Food	$	16,939
Operations		16,098
Software subscription service		88,650
Storage		7,760
Total	$	129,447

(5) Operating leases and subsequent events

The Organization leases an office and warehouse space under a non-cancellable operating lease agreement expiring in June 2018. Monthly payments under this lease are base rent of $1,923 plus a share of operating costs. This office and warehouse space is being sub-leased under an agreement expiring in June 2018. Monthly payments to be received under this sublease are $3,200.

Subsequent to year end the Organization entered into a lease agreement for office and warehouse space beginning November 2016 which requires base monthly rent payments ranging from approximately $5,500 to $6,500 over the term of the lease. The lease expires in January 2022.

In addition, the Organization entered into two temporary lease agreements subsequent to year end for warehouse space expiring August 2016 and November 2016. The terms of these leases call for base monthly rent payments totaling $3,155.

(5) Operating leases (continued)

Future minimum lease payments including the operating leases entered into subsequent to year end are as follows:

Years Ended June 30,		
2017	$	73,200
2018		106,200
2019		69,800
2020		71,800
2021		74,000
Thereafter		44,100
Total	$	439,100

The above lease expense will be offset by payments due under the previously described sublease as follows:

Years Ended June 30,		
2017	$	38,400
2018		38,400
Total	$	76,800

Rent expense for the year ended June 30, 2016 was approximately $25,000.

(6) Retirement plan

The Organization established a Simple IRA plan for its employees who are eligible to participate upon their date of hire. The Organization matches employee contributions up to three percent of an employee's salary. During the year ended June 30, 2016, contributions made by the Organization were $2,881.

SUPPLEMENTARY INFORMATION

THE SHERIDAN STORY

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services	Management and General	Fund Raising	Total
Salary	$ 115,604	$ 21,901	$ 17,041	$ 154,546
Benefits and payroll taxes	22,634	4,319	3,321	30,274
Contracted services	625	16,990	96	17,711
Rent	133,394	899	774	135,067
Utilities	7,002	1,506	1,293	9,801
Transportation	27,050	556	457	28,063
Program/sponsor support	12,785	-	-	12,785
Other operating expenses	16,052	2,037	1,749	19,838
Fund raising	-	-	4,422	4,422
Office supplies	12,032	2,145	1,842	16,019
Computer support	60,704	10,823	9,295	80,822
Meeting and conferences	3,604	643	552	4,799
Printing and postage	1,623	289	249	2,161
Staff training and travel	1,821	325	279	2,425
Food purchases	300,391	-	-	300,391
Depreciation	23,753	-	-	23,753
	$ 739,074	$ 62,433	$ 41,370	$ 842,877