

**ACHIEVE!MINNEAPOLIS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2005**

ACHIEVE!MINNEAPOLIS  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



MAHONEY  
ULBRICH  
CHRISTIANSEN  
RUSS P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809  
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

To the Board of Directors  
Achieve!Minneapolis  
Minneapolis, Minnesota

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Achieve!Minneapolis as of June 30, 2005 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Achieve!Minneapolis' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Achieve!Minneapolis' 2004 financial statements and, in our report dated September 23, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of Achieve!Minneapolis at June 30, 2005 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
August 5, 2005

ACHIEVE!MINNEAPOLIS

STATEMENT OF FINANCIAL POSITION

June 30, 2005  
(With Comparative Totals for 2004)

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 3,243,836	\$ 2,475,162
Investments	2,315,462	1,421,732
Accounts receivable	72,426	37,581
Contributions receivable	2,992,602	1,282,547
Prepaid expenses	16,855	15,838
Property and equipment, net	<u>8,918</u>	<u>14,314</u>
Total assets	<u>\$ 8,650,099</u>	<u>\$ 5,247,174</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 26,798	\$ 20,168
Accrued vacation	27,846	10,096
Grants and gifts payable	<u>54,070</u>	<u>40,625</u>
Total liabilities	<u>108,714</u>	<u>70,889</u>
Net assets:		
Unrestricted:		
Undesignated	382,701	216,325
Board designated	<u>100,026</u>	<u>94,655</u>
Total unrestricted net assets	482,727	310,980
Temporarily restricted	7,325,824	4,087,190
Permanently restricted	<u>732,834</u>	<u>778,115</u>
Total net assets	<u>8,541,385</u>	<u>5,176,285</u>
Total liabilities and net assets	<u>\$ 8,650,099</u>	<u>\$ 5,247,174</u>

See accompanying notes to financial statements.

## ACHIEVE!MINNEAPOLIS

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

	2005			Total	2004
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions	\$ 134,335	\$ 6,017,839	\$ -	\$ 6,152,174	\$ 2,356,834
Contract income	274,979	-	-	274,979	198,613
Earned income	9,501	-	-	9,501	10,551
Investment income	83,958	-	-	83,958	45,502
Gain (loss) on investments	130,396	-	-	130,396	214,274
Special events	154,235	66,639	-	220,874	152,194
Support from Minneapolis Public Schools	105,875	-	-	105,875	201,003
In-kind contributions	83,473	119,814	-	203,287	40,671
Miscellaneous	212	-	-	212	546
Reclassification of restricted contributions	-	45,281	(45,281)	-	-
Net assets released from restrictions	3,010,939	(3,010,939)	-	-	-
Total support and revenue	3,987,903	3,238,634	(45,281)	7,181,256	3,220,188
Expenses:					
Program services	3,421,474	-	-	3,421,474	2,646,623
Management and general	226,610	-	-	226,610	232,475
Fundraising	168,072	-	-	168,072	99,125
Total expenses	3,816,156	-	-	3,816,156	2,978,223
Loss on disposition of fixed assets	-	-	-	-	13,158
Total expenses and losses	3,816,156	-	-	3,816,156	2,991,381
Change in net assets	171,747	3,238,634	(45,281)	3,365,100	228,807
Net assets, beginning	310,980	4,087,190	778,115	5,176,285	4,947,478
Net assets, ending	\$ 482,727	\$ 7,325,824	\$ 732,834	\$ 8,541,385	\$ 5,176,285

See accompanying notes to financial statements.

ACHIEVE!MINNEAPOLIS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

	2005								2004
	Minneapolis Public Schools Initiatives	Minneapolis Public Schools Partnerships	Business Partners	STEP-UP	Total Program Services	Management and General	Fundraising	Total	
Employee compensation:									
Salaries	\$ 107,026	\$ 108,006	\$ 570	\$ 109,172	\$ 324,774	\$ 94,534	\$ 48,179	\$ 467,487	\$ 493,809
Salaries - consultants	37,761	57,325	24,000	8,581	127,667	-	83,531	211,198	98,203
Employee benefits	22,145	11,032	65	9,212	42,454	11,237	5,223	58,914	47,909
Payroll taxes	3,467	6,339	41	8,830	18,677	4,063	3,077	25,817	28,698
Total employee compensation	170,399	182,702	24,676	135,795	513,572	109,834	140,010	763,416	668,619
Occupancy	1,427	1,074	5	1,453	3,959	1,014	582	5,555	29,505
Telephone	2,656	2,474	8	3,238	8,376	1,599	967	10,942	13,064
Copying and printing	11,901	1,499	339	10,674	24,413	7,192	901	32,506	14,485
Supplies	1,906	1,582	-	557	4,045	1,714	507	6,266	4,515
Equipment and maintenance	-	2,250	-	-	2,250	8,278	-	10,528	11,353
Postage	1,980	1,085	10	1,357	4,432	679	1,987	7,098	5,607
Insurance	-	-	-	-	-	4,145	-	4,145	4,090
Professional fees	25,310	460	-	3,683	29,453	37,935	1,100	68,488	43,428
Dues and subscriptions	771	722	-	150	1,643	5,620	1,927	9,190	12,173
Conferences and meetings	2,993	1,572	-	2,148	6,713	7,548	653	14,914	12,566
Parking and mileage	138	295	78	514	1,025	1,533	104	2,662	2,958
Training	-	19	-	98	117	2,333	-	2,450	958
Investment/bank fees	2,641	523	2	669	3,835	20,523	262	24,620	23,790
Marketing/communications	141,094	-	-	32,010	173,104	2,865	504	176,473	17,903
Gifts and grants	2,554,166	-	-	-	2,554,166	-	-	2,554,166	2,070,120
Special events	1,322	331	4,001	941	6,595	811	18,568	25,974	19,273
Program expense	-	(7)	284	82,340	82,617	-	-	82,617	10,399
Bad debts	-	-	-	-	-	5,498	-	5,498	2,175
Miscellaneous	147	681	-	331	1,159	688	-	1,847	624
Depreciation	-	-	-	-	-	6,801	-	6,801	10,618
Total expenses	<u>\$ 2,918,851</u>	<u>\$ 197,262</u>	<u>\$ 29,403</u>	<u>\$ 275,958</u>	<u>\$ 3,421,474</u>	<u>\$ 226,610</u>	<u>\$ 168,072</u>	<u>\$ 3,816,156</u>	<u>\$ 2,978,223</u>

See accompanying notes to financial statements.

ACHIEVE!MINNEAPOLIS

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

Increase (Decrease) in Cash

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,365,100	\$ 228,807
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	6,801	10,618
Loss on disposition of fixed assets	-	13,158
Endowment contributions	-	(8,191)
Contributions of securities	(22,116)	(6,508)
Contributions of equipment	-	(750)
(Gain) loss on investments	(130,396)	(214,274)
Reinvestment of investment income	(38,359)	(30,142)
Accounts receivable	(34,845)	10,804
Contributions receivable	(1,710,055)	80,302
Prepaid expenses	(1,017)	(4,499)
Grants and gifts payable	13,445	(7,250)
Accounts payable	6,630	17,514
Accrued vacation	17,750	592
	<u>1,472,938</u>	<u>90,181</u>
Net cash from operating activities		
Cash flows from investing activities:		
Purchase of investments	(809,426)	-
Proceeds from the sale of investments	106,567	195,177
Payments for property and equipment	(1,405)	-
	<u>(704,264)</u>	<u>195,177</u>
Net cash from investing activities		
Cash flows from financing activities:		
Endowment contributions	-	5,537
	<u>-</u>	<u>5,537</u>
Net cash from financing activities		
Increase in cash	768,674	290,895
Cash, beginning of year	<u>2,475,162</u>	<u>2,184,267</u>
Cash, end of year	<u>\$ 3,243,836</u>	<u>\$ 2,475,162</u>

See accompanying notes to financial statements.

# ACHIEVE!MINNEAPOLIS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

### 1. ORGANIZATION

Achieve!Minneapolis was formed by the merger of Youth Trust and the Minneapolis Public Schools Foundation on January 31, 2002.

The mission of Achieve!Minneapolis is to support student success in the Minneapolis Public Schools by bringing schools, employers, corporations and foundations and other community resources together to help youth develop the knowledge, skills and behaviors necessary to succeed in K-12 education and the workplace. Achieve!Minneapolis supports school reform efforts by raising significant funds and other human and financial support for major district-wide initiatives listed below. In addition, Achieve!Minneapolis provides fund accounting services for a variety of scholarship and individual school funds to lessen the administrative burden on schools and programs. Achieve!Minneapolis creates partnerships among schools, employers, post secondary institutions, and community-based organizations to create career, workplace, and mentoring opportunities for students in grades K-12. Outcomes include student achievement of graduation standards, development of marketable skills, and preparation for a successful transition from school to career.

A description of Achieve!Minneapolis' programs are as follows:

#### **Minneapolis Public Schools Initiatives for which Achieve!Minneapolis raises and monitors funding –**

**High School Transformation** - The overall objective of this initiative is to significantly improve the high school graduation rate by creating innovative small learning communities (SLC) that increase connections between students and teachers providing a more personalized education including individual learning and post secondary planning.

**Arts for Academic Achievement** - This project brings artists into the schools to partner with and mentor Minneapolis Public Schools teachers to expand their teaching skill using the arts.

**Principal Leadership and Teacher Training** - Professional development nurtures future principals, supports Minneapolis Public Schools newest principals and encourages the continuous improvement of veteran principals. Fellowships for principals and scholarships for teachers to support their continuing education will encourage quality teachers and leaders committed to the Minneapolis Public Schools.

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ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

1. **ORGANIZATION (Continued)**

**Minneapolis Public Schools Initiatives (Continued) –**

**Post-secondary scholarships** - Scholarships for Minneapolis Public Schools graduates help defray the daunting costs of post secondary education and serve as an incentive for graduation and a token of the value the community places on further education.

**Minneapolis Public Schools Partnerships** - Achieve!Minneapolis staff support the development of school employer partnerships designed to increase student learning and build long-term alliances. Partnership programs include mentoring, tutoring, school supply and book drives, career exploration, school staff professional development, and literacy initiatives.

**Principal For A Day** - offers an opportunity for leaders in the business world, higher education, government, and the community to shadow a Minneapolis Public School principal and see first hand the challenges and rewards of educating an urban student population. Based on a model developed by PENCIL, Inc. (Public Education Needs Civil Involvement in Learning) in New York City, Principal For A Day provides insight into the needs of the schools and demonstrates that community involvement is critical for student success as well as the economic health of the community.

**Business Partners** - connects students in nonprofit summer jobs with mentors from the business community. Mentors offer guidance to students to ensure that they learn the skills necessary to be successful in the workplace.

**STEP-UP** - a summer jobs program for Minneapolis youth, ages 16 to 21 that provides valuable job experience and career exploration opportunities to students. Achieve!Minneapolis manages the program, which is funded by the City of Minneapolis as part of their “Close the Gap” campaign. STEP-UP staff recruits employers, trains students, places students in jobs aligned with their career interests, and provides support to students and supervisors throughout the summer.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

(Continued)

ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation** - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes.

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give to Achieve!Minneapolis. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets

**In-kind Contributions** - Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation. Contributed materials and space are recorded when received at their fair value, where such value can be objectively and accurately determined.

**Government Grants and Contracts** - Government grants and contracts are generally considered exchange transactions and recorded as revenues when the related costs are incurred. Amounts received prior to the cost being incurred are recorded as refundable advances. Amounts expended but not yet reimbursed have been recorded as accounts receivable. Management believes that Achieve!Minneapolis is not exposed to significant credit risk related to accounts receivable.

**Investments** - Investments in marketable securities are recorded at their fair values. Unrealized gains and losses are included in the change in net assets.

**Property and Equipment** - Property and equipment are carried at cost, with the exception of the donated equipment, which is recorded at fair market value at date of gift. Depreciation of property and equipment is provided for on a straight-line basis over 3-5 year periods. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

**Concentration of Credit Risk** - Achieve!Minneapolis places its cash with one financial institution. The amounts on deposit exceed the insured limit of the institution and expose Achieve!Minneapolis to a collection risk. Achieve!Minneapolis has not experienced any losses as a result of these deposits.

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ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Expenses** - Expenses have been allocated by function among program and supporting services classifications based upon direct expenditures and estimates made by Achieve!Minneapolis' management.

**Income Taxes** - Achieve!Minneapolis is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from Minnesota income taxes under applicable Minnesota Statutes.

**Reclassifications** - Certain reclassifications have been made to the June 30, 2004 financial statements in order for them to conform to the June 30, 2005 presentation. These reclassifications had no effect on net assets.

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Achieve!Minneapolis' financial statements for the year ended June 30, 2004, from which the summarized information was derived

3. **INVESTMENTS**

At June 30, 2005 and 2004, investments are stated at fair value, which is based upon the quoted market prices for readily marketable securities and valuations obtained from professional investment managers for other securities.

The investments are all part of the Minneapolis Foundation Master Fund. The cost of the investments was \$2,106,297 and \$1,270,438 at June 30, 2005 and 2004, respectively.

4. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable have been discounted to the net present value and are due as follows:

Year ending June 30,	
2006	\$1,663,751
2007	1,405,000
	<hr/>
Total unconditional promises to give	3,068,751
Less discount of 4% to net present value	(76,149)
	<hr/>
	<u>\$2,992,602</u>

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ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

4. **CONTRIBUTIONS RECEIVABLE (Continued)**

These receivables are due from the following organizations:

	<u>2005</u>	<u>2004</u>
McKnight Foundation	\$2,200,000	\$ -
Lillian Lindsten Estate	-	700,000
Bush Foundation	481,789	-
Robins, Kaplan, Miller & Ceresi LLP Foundation	200,000	300,000
New York Life Foundation	45,501	91,334
Minneapolis Foundation	-	65,000
Star Tribune Foundation	-	56,000
Target Corporation	35,000	-
American Express	30,000	30,000
Dex Media LLC	10,000	-
Irwin Andrew Porter Foundation	-	8,000
Excel Energy	5,000	-
Donaldson Foundation	3,000	3,000
Individuals	58,461	40,486
Less discount of 4% to net present value	<u>(76,149)</u>	<u>(11,273)</u>
	<u>\$2,992,602</u>	<u>\$1,282,547</u>

5. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2005</u>	<u>2004</u>	<u>Estimated useful lives (in years)</u>
Equipment	\$ 31,725	\$ 30,320	3 - 5
Software	<u>29,742</u>	<u>29,742</u>	3
	61,467	60,062	
Less accumulated depreciation	<u>(52,549)</u>	<u>(45,748)</u>	
	<u>\$ 8,918</u>	<u>\$ 14,314</u>	

(Continued)

ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

6. **OPERATING LEASE**

Achieve!Minneapolis has an operating lease agreement for the rental of office space through August 31, 2007. The lease may be terminated if Achieve!Minneapolis' funding is materially changed or redirected. Future minimum rental expenses, assuming the lease is not terminated, are as follows: \$6,384 annually through June 30, 2007 and \$1,064 for the year ended June 30, 2008. In addition to the minimum rent, Achieve!Minneapolis is also obligated to pay its share of operating costs.

The operating lease agreement for the office space Achieve!Minneapolis used prior to January 2004 was terminated when the new lease was negotiated. Rent expense was \$5,555 and \$29,505 for the years ended June 30, 2005 and 2004.

7. **CONTRIBUTED GOODS, SERVICES AND SPACE**

Contributed goods, services and space, have been valued at their estimated fair value. The value of the items included in the financial statements is as follows:

	<u>2005</u>	<u>2004</u>
Copying & printing	\$ 919	\$ 8,228
Conferences and meetings	-	2,893
Marketing & communications	150,905	-
Program supplies	25,768	-
Professional fees	350	-
Training	-	2,000
Professional fees – management & general	18,395	26,800
Copying & printing - management & general	5,725	-
Conferences & meetings - fundraising	1,225	-
Equipment	-	750
	<u>\$ 203,287</u>	<u>\$ 40,671</u>

8. **NET ASSETS**

**Board Designated** - The Board of Achieve!Minneapolis provides that the organization may retain in reserve up to six months of estimated operating funds as board-designated net assets.

(Continued)

ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

8. **NET ASSETS (Continued)**

**Temporarily Restricted** - Temporarily restricted net assets consist of the following:

	<u>2005</u>	<u>2004</u>
Contributions receivable	\$2,992,602	\$1,282,547
Cash and investments held for programs	<u>4,333,222</u>	<u>2,804,643</u>
	<u><u>\$7,325,824</u></u>	<u><u>\$4,087,190</u></u>

Temporarily restricted net assets are for the following purposes:

	<u>2005</u>	<u>2004</u>
High School Transformation	\$3,284,086	\$1,210,200
Scholarships	1,699,021	1,562,235
Arts for Academic Achievement	1,433,363	983,370
Middle School Reform	578,321	--
Curriculum Enhancement	131,918	135,806
Principal Leadership and Teacher Training	105,831	41,773
Community Liaison Project	20,297	65,000
ImpactSchools.org	746	36,000
General operating	60,711	34,763
Other programs	<u>11,530</u>	<u>18,043</u>
	<u><u>\$7,325,824</u></u>	<u><u>\$4,087,190</u></u>

**Permanently Restricted** - Permanently restricted net assets consist of cash and investments restricted for the following purposes:

	<u>2005</u>	<u>2004</u>
Principal Leadership and Teacher Training	\$ 131,018	\$ 176,299
Post-secondary Scholarships	<u>601,816</u>	<u>601,816</u>
	<u><u>\$ 732,834</u></u>	<u><u>\$ 778,115</u></u>

(Continued)

ACHIEVE!MINNEAPOLIS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005  
(With Comparative Totals for 2004)

9. **RECLASSIFICATION OF RESTRICTED CONTRIBUTIONS**

During 2005, permanently restricted funds in the amount of \$45,281 were reclassified to temporarily restricted pursuant to the donor's consent.

10. **RETIREMENT PLAN**

Achieve!Minneapolis sponsors a defined contribution 403(b) retirement plan, which covers substantially all employees who meet certain service requirements. Contributions under this plan for the years ended June 30, 2005 and 2004 were \$7,566 and \$9,052, respectively.

11. **CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed grant costs may constitute a liability. The amount, if any, of costs that may be disallowed by the grantor agencies will be recognized in the year determined.