

Financial statements of:

ACHIEVE!MINNEAPOLIS

Years ended
June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Achieve!Minneapolis
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Achieve!Minneapolis (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets, 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 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 audit 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 Achieve!Minneapolis as of June 30, 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.

Report on Supplementary Information – Statements of Functional Expenses by Unit

Achieve!Minneapolis statement of functional expenses, excluding the Minneapolis Public Schools (MPS) statement of expenses flow-through funds and for the year ended June 30, 2018 and the MPS Statement of expenses flow-through funds for the year ended June 30, 2018 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Schechter, Doherty, Kauter
Andrew é Schmidt.*

December 20, 2018

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 5,118,518	\$ 5,261,181
Investments	1,041,782	1,040,167
Accounts receivable	353,668	251,612
Pledges receivable, net	1,357,540	2,915,187
Prepaid expenses	3,467	25,453
Other current asset	8,197	-
Property and equipment, net	<u>88,566</u>	<u>68,039</u>
 Total assets	 <u><u>\$ 7,971,738</u></u>	 <u><u>\$ 9,561,639</u></u>
Liabilities and net assets:		
Accounts payable	\$ 218,589	\$ 389,769
Accrued:		
Payroll	69,988	62,803
Vacation	84,030	66,377
Grants and gifts payable	249,347	167,047
Capital lease payable	<u>-</u>	<u>4,620</u>
 Total liabilities	 <u><u>621,954</u></u>	 <u><u>690,616</u></u>
Net assets:		
Unrestricted:		
Undesignated	1,505,633	690,259
Board designated	<u>675,697</u>	<u>675,697</u>
Total unrestricted net assets	<u><u>2,181,330</u></u>	<u><u>1,365,956</u></u>
Temporarily restricted	<u><u>5,168,454</u></u>	<u><u>7,505,067</u></u>
 Total net assets	 <u><u>7,349,784</u></u>	 <u><u>8,871,023</u></u>
 Total liabilities and net assets	 <u><u>\$ 7,971,738</u></u>	 <u><u>\$ 9,561,639</u></u>

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	2018		
	Unrestricted	Temporarily restricted	Total
Revenue and support:			
Contributions	\$ 312,668	\$ 1,873,830	\$ 2,186,498
Contract income	1,235,574	-	1,235,574
Earned income	40,741	-	40,741
Investment income	-	81,721	81,721
Interest income	16,955	-	16,955
Special events	89,903	-	89,903
In-kind contributions	-	30,324	30,324
Miscellaneous	27,824	-	27,824
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,723,665	1,985,875	3,709,540
Net assets released from restrictions	4,322,488	(4,322,488)	-
	<hr/>	<hr/>	<hr/>
	6,046,153	(2,336,613)	3,709,540
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	4,553,584		4,553,584
Management and general	569,361		569,361
Fundraising	107,834		107,834
	<hr/>		<hr/>
Total expenses	5,230,779		5,230,779
	<hr/>		<hr/>
Change in net assets	815,374	(2,336,613)	(1,521,239)
Net assets, beginning	1,365,956	7,505,067	8,871,023
	<hr/>	<hr/>	<hr/>
Net assets, ending	\$ 2,181,330	\$ 5,168,454	\$ 7,349,784
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30

2017		
Unrestricted	Temporarily restricted	Total
\$ 480,342	\$ 6,567,203	\$ 7,047,545
1,191,651	-	1,191,651
63,440	-	63,440
1,020	136,031	137,051
8,307	-	8,307
163,662	-	163,662
-	80,672	80,672
20,754	-	20,754
1,929,176	6,783,906	8,713,082
3,669,954	(3,669,954)	-
5,599,130	3,113,952	8,713,082
4,675,941		4,675,941
607,679		607,679
114,837		114,837
5,398,457		5,398,457
200,673	3,113,952	3,314,625
1,165,283	4,391,115	5,556,398
<u>\$ 1,365,956</u>	<u>\$ 7,505,067</u>	<u>\$ 8,871,023</u>

ACHIEVE!MINNEAPOLISSTATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,521,239)	\$ 3,314,625
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,615	37,487
Loss on sale of property and equipment	3,824	-
Net investment income	(71,616)	(126,822)
(Increase) decrease in:		
Accounts receivable	(102,056)	(38,241)
Pledges receivable	1,557,647	(2,739,692)
Prepaid expenses	21,986	16,677
Other current assets	(8,197)	-
Increase (decrease) in:		
Accounts payable	(171,180)	(71,391)
Accrued expenses	24,838	42,155
Grants and gifts payable	82,300	(12,072)
Net cash (used in) provided by operating activities	<u>(144,078)</u>	<u>422,726</u>
Cash flows from investing activities:		
Purchases of property and equipment	(63,965)	(48,165)
Proceeds from the sale of investments	70,000	477,314
Net cash provided by investing activities	<u>6,035</u>	<u>429,149</u>
Cash flows used in financing activities, capital lease payments	<u>(4,620)</u>	<u>(5,544)</u>
(Decrease) increase in cash and cash equivalents	(142,663)	846,331
Cash and cash equivalents, beginning of year	<u>5,261,181</u>	<u>4,414,850</u>
Cash and cash equivalents, end of year	<u>\$ 5,118,518</u>	<u>\$ 5,261,181</u>

See notes to financial statements.

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	STEP-UP student wages	Total program services	Management and general	Fundraising	Total
Salaries	\$ 127,719	\$ 84,390	\$ 1,744,451		\$ 1,956,560	\$ 274,892	\$ 58,314	\$ 2,289,766
Employee benefits	7,988	12,513	168,714		189,215	37,312	7,095	233,622
Payroll taxes	9,717	6,384	134,101		150,202	22,291	4,452	176,945
Payroll fees and other	155	159	4,567		4,881	4,306	97	9,284
Total employee compensation	145,579	103,446	2,051,833		2,300,858	338,801	69,958	2,709,617
Gifts and grants	761,420	996,330	1,143		1,758,893	-	-	1,758,893
Rent	-	-	-		-	45,007	-	45,007
Telephone and Internet	660	-	3,658		4,318	12,170	660	17,148
Equipment	-	-	3,206		3,206	48,522	17,741	69,469
Insurance	-	-	-		-	12,620	-	12,620
Licenses and fees	370	-	5,235		5,605	5,359	811	11,775
Printing, postage and office supplies	14	73	6,979		7,066	7,309	9,937	24,312
Program:								
Materials and supplies	33,010	-	2,857		35,867	-	-	35,867
Student wages	-	-	6,585	\$ 168,310	174,895	-	-	174,895
Student transportation and activity fees	13,500	-	5,164		18,664	-	-	18,664
Meeting and other expenses	781	10	58,669		59,460	503	-	59,963
Consultants and professional fees	55,022	52,336	889		108,247	19,761	-	128,008
PR, outreach, networking and website	-	-	4,170		4,170	14,592	488	19,250
Event Expense	583	-	-		583	12,682	4,436	17,701
Staff:								
Development and training	20	-	8,378		8,398	5,733	483	14,614
Parking, mileage and travel	50	2	6,770		6,822	2,745	241	9,808
In-kind	-	-	8,818		8,818	21,506	-	30,324
Other	71	13,378	5,153		18,602	4,139	476	23,217
Pledges uncollected	-	-	-		-	10,012	-	10,012
	1,011,080	1,165,575	2,179,507	168,310	4,524,472	561,461	105,231	5,191,164
Depreciation	782	1,410	26,920	-	29,112	7,900	2,603	39,615
Total expenses	\$ 1,011,862	\$ 1,166,985	\$ 2,206,427	\$ 168,310	\$ 4,553,584	\$ 569,361	\$ 107,834	\$ 5,230,779

See notes to financial statements.

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	STEP-UP student wages	Total program services	Management and general	Fundraising	Total
Salaries	\$ 121,442	\$ 77,807	\$ 1,579,509		\$ 1,778,758	\$ 299,290	\$ 58,331	\$ 2,136,379
Employee benefits	9,560	11,621	132,484		153,665	36,585	6,439	196,689
Payroll taxes	9,201	6,205	123,850		139,256	23,436	4,707	167,399
Payroll and other fees	140	141	4,161		4,442	2,727	93	7,262
Total employee compensation	140,343	95,774	1,840,004		2,076,121	362,038	69,570	2,507,729
Gifts and grants	1,004,109	1,044,433	2,500		2,051,042	-	-	2,051,042
Rent	-	-	-		-	29,082	-	29,082
Telephone and Internet	660	-	3,078		3,738	10,499	660	14,897
Equipment	-	-	717		717	44,287	14,025	59,029
Insurance	-	-	-		-	10,478	-	10,478
Licenses and fees	272	-	6,562		6,834	5,257	495	12,586
Printing, postage and office supplies	1,644	162	10,236		12,042	6,041	10,836	28,919
Program:								
Materials and supplies	3,843	-	3,121		6,964	-	-	6,964
Student wages	-	-	2,690	\$ 187,863	190,553	-	-	190,553
Student transportation and activity fees	9,140	-	2,488		11,628	-	-	11,628
Meeting and other expenses	125	40	28,553		28,718	-	-	28,718
Consultants and professional fees	77,530	43,014	14,729		135,273	63,300	-	198,573
PR, outreach, networking and website	-	-	8,906		8,906	12,176	7,385	28,467
Staff:								
Development, training and conferences	75	-	11,708		11,783	8,349	564	20,696
Parking, mileage and travel	29	15	4,392		4,436	3,984	210	8,630
In-kind	-	-	80,172		80,172	500	-	80,672
Other	3,103	15,957	1,347		20,407	18,373	8,212	46,992
Pledges uncollected	-	-	-		-	25,315	-	25,315
	1,240,873	1,199,395	2,021,203	187,863	4,649,334	599,679	111,957	5,360,970
Depreciation	696	1,272	24,639	-	26,607	8,000	2,880	37,487
Total expenses	\$ 1,241,569	\$ 1,200,667	\$ 2,045,842	\$ 187,863	\$ 4,675,941	\$ 607,679	\$ 114,837	\$ 5,398,457

See notes to financial statements.

1. Nature of business and significant accounting policies:

Nature of business and major programs:

AchieveMpls: Sparking success in college, career and life:

As the strategic nonprofit partner of Minneapolis Public Schools (MPS), AchieveMpls rallies community support to inspire and equip Minneapolis students for careers, college and life. Our vision is that all young people have full access to educational and career opportunities, resulting in a more equitable and vibrant Minneapolis.

While MPS prepares students academically, AchieveMpls helps ensure that all students graduate with the resources, support and confidence they need to achieve their career and postsecondary dreams and keep our city strong and vibrant. AchieveMpls recognizes the value in every path to personal and economic success, and empowers each student to pursue the best options for their career and college dreams – whether that means two or four-year college, apprenticeships, technical training, employment or other opportunities.

AchieveMpls accomplishes this work through three proven, interconnected career and college readiness programs that are available to every MPS student from their first day of ninth grade through high school graduation. These include AchieveMpls Career & College Centers in eleven MPS high schools, Step Up paid internships and work readiness training, and volunteer programs that connect students with Graduation Coach mentors career exploration volunteers. AchieveMpls also strives to build stronger community support for students and schools through public education events, and serves as the foundation for Minneapolis Public Schools, raising corporate and foundation support for key district priorities, and administering school and department funds, scholarships and mini-grants.

AchieveMpls Career & College Centers:

At the heart of AchieveMpls' work are its Career & College Centers (CCC), which are embedded in 11 MPS high schools and provide personalized resources, connections and support to over 4,000 MPS students each year. Staffed by licensed school counselors, teachers and social workers, the CCCs work one-on-one with each student to help them chart their specific career and college course, and also track individual student progress to ensure that every senior has a post-graduation plan that they are invested in and excited about. Students who utilize the CCCs enroll in college at a 51% higher rate than those who do not.

The CCCs provide expert career exploration advising, career events with local professionals, college fairs and tours, college rep visits, assistance with college, financial aid and FAFSA applications, advice on resume writing and job interviewing, connections with internship and job opportunities, and links to other college access providers. The new AchieveMpls Career Readiness Initiative – based in CCCs at Roosevelt and Edison high schools – offers additional resources to connect students with a wider variety of career and training opportunities so that they can access family-supporting, high-demand, high-growth careers more quickly after high school. Through this new initiative, AchieveMpls brings employers into MPS high schools to meet with students via career speed-networking, career rep visits, informational interviews, career pathway fairs and career speaker events, and takes students out into the community to participate in interactive worksite tours.

1. Nature of business and significant accounting policies (continued):

Nature of business and major programs (continued):

Step Up Youth Employment Program:

Step Up prepares today's youth for tomorrow's careers by recruiting, training and placing nearly 1,600 young people (ages 14-21) in paid internships each year with over 200 regional employers, from Fortune 500 companies and small businesses to public agencies and nonprofits. A partnership of the City of Minneapolis, AchieveMpls, CareerForce Minneapolis and Project for Pride in Living, Step Up is one of the nation's leading youth employment programs and leverages a collective of more than 200 partners spanning 15 industries and multiple sectors.

Step Up supports historically underrepresented youth in Minneapolis who are ready to navigate the professional world. The program helps organizations diversify their workforce and build a base of young, skilled workers for the entire region. Step Up has provided over 27,000 internships since 2003, yielding a competitive talent pipeline, a stronger economy and millions of dollars in wages for Step Up interns. Step Up also collaborates with corporate, government and higher education partners to provide sector-specific trainings, networking events and industry-recognized credentials through four career pipelines in STEM, healthcare, design and financial services.

In 2017-18, Step Up interns earned a combined \$2.7 million in wages. Following the completion of their internships, 97% of interns reported that Step Up prepared them to become valuable contributors at their work site, and 95% said their internship was a valuable learning experience. 87% of Step UP employers said their intern made a valuable contribution to their organization, and 74% said they would consider hiring their intern as an employee.

Volunteer Programs:

Each year, 800 community members donate over 4,500 hours of volunteer time with Minneapolis high school students to provide caring support and help them plan for careers and college.

Dedicated **AchieveMpls Graduation Coaches** mentor 9th and 12th grade students as they transition into and out of high school, meeting with them at their schools twice each month and guiding them in developing the skills and confidence they need to be successful in school and beyond. In the 2017-18 school year, 130 Coaches provided personalized support to over 300 students. Students who worked with a Graduation Coach experienced a 10-13% growth in their school connectedness, which is highly predictive of student success.

Each year, **Career Exploration Volunteers** from over 200 companies connect with MPS high school students to share their career journeys and information on great career and training opportunities. Through in-school career speaker events, speed-networking and informational interviews, and off-site work-site tours, students explore new career fields, meet local professionals, see workers in action at their companies and learn the steps they need to take toward specific fields and industries.

1. Nature of business and significant accounting policies (continued):

Nature of business and major programs (continued):

Volunteer Programs (continued):

Over 400 community volunteers participate in our annual four-night **Step Up Mock Interviews**, interviewing and coaching hundreds of Step Up interns one-to-one in preparation for their summer internship interviews. The mock interviews are part of Step Up work readiness training, which each intern must complete before they are matched with their summer employer.

In addition to these volunteer opportunities, **employees from several Step Up partner companies also volunteer their time with Step Up interns** as work readiness trainers, career exposure event leaders, and financial literacy and career skills event facilitators.

AchieveMpls Public Education Events:

AchieveMpls sparks community conversations on a wide variety of thought-provoking education and student-related topics through several public events, with the goal of strengthening knowledge, support and advocacy for students and schools.

EDTalks – based on the TEDTalks model – feature compelling short talks on cutting-edge issues impacting education and young people, and provide opportunities for community conversation and engagement. Hosted four times each year, recent topics include disability as diversity, engaging youth to address racial disproportionality in school suspensions, restorative practices and mindfulness-based interventions in school communities, building resilience in students who are facing homelessness, the power of mentorship, and creating healthy and vibrant school workplaces. EDTalks videos and podcasts can be found at <https://www.achievempls.org/edtalks>.

In partnership with Minneapolis Public Schools (MPS), **Principal Partner Day** is an annual event that matches 30 Twin Cities business, philanthropy, media and civic leaders one-on-one with MPS principals for a half-day of job shadowing at their schools. Participants get a rare behind-the-scenes experience at a MPS school, see their principal in action and interact with staff and students. Following their time at schools, participants gather to share insights and questions, and discuss possible next steps in response to what they've seen and heard that day.

AchieveMpls also hosts **thought leader events such as the 2018 Bridging the Gap breakfast** for Twin Cities business, education and community leaders, which focused on strategies to address our region's growing worker shortage and its wide education, employment and wage gaps. It featured a keynote by Minneapolis Federal Reserve President Neel Kashkari and a panel of local experts from St. Paul College, Minneapolis Public Schools, Xcel Energy and the Minnesota Department of Employment and Economic Development.

Achieve101 events provide opportunities for community members to get inside our MPS high school Career & College Centers and see our work in action. Small groups of participants meet with our professional teams, hear stories from young people who utilize our career and college planning services, and learn how they can support students as volunteers, Step Up employers, donors and community partners.

1. Nature of business and significant accounting policies (continued):

Nature of business and major programs (continued):

Minneapolis Public Schools Partnership:

In addition to these programs, AchieveMpls also serves as the MPS foundation, assisting the district in raising millions in corporate and foundation support for key MPS priorities such as STEM (Science, Technology, Engineering and Math), AVID (Advancement via Individual Determination), college and career readiness programs and human capital development. AchieveMpls also processes over \$1 million each year in private donations to MPS schools and departments, and distributes funds to support various MPS activities, ranging from classroom supplies to artists and field trips. It also administers over 92 college scholarships for MPS seniors and recent graduates and awards mini-grants for MPS classrooms, staff professional development and field trip grants.

Basis of presentation:

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

Unrestricted - Unrestricted net assets consist of resources available for current operations and over which the Organization has discretionary control. Unrestricted net assets also include a board designated reserve.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed restrictions that will be met by the actions of the Organization or the passage of time.

Permanently Restricted - Permanently restricted net assets consist of resources for which the use has been permanently restricted by donors. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Cash and cash equivalents:

Cash and cash equivalents consist of bank deposits and money market accounts. At times the amounts on deposit may exceed the insured limit of the institutions.

Investments:

The Organization carried its investments at The Minneapolis Foundation (TMF) at fair value and realized and unrealized gains and losses are reflected in the statement of activities. Investments include a beneficial interest in TMF Investment Pool whose value was determined by the fair market value assigned to holdings by TMF.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

1. Nature of business and significant accounting policies (continued):

Accounts receivable:

The Organization recognizes receivables at net realizable value. Accordingly, the Organization provides for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. Services are sold on an unsecured basis. When all collection efforts have been exhausted, the accounts are written off against the allowance. With respect to accounts receivable at June 30, 2018 and 2017, there were no material balances that were deemed uncollectible, therefore, no reserve for uncollectible accounts was considered necessary at either year end.

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 the Organization is not exposed to significant credit risk related to accounts receivable. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Use of estimates:

The timely 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. Actual results could differ from those estimates.

Contributions and pledges receivable:

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. 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 classified to unrestricted net assets.

Contributions that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met.

Property and equipment:

Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. There were no such donations in for the years ended June 30, 2018 and 2017. Depreciation of property and equipment is provided for on a straight-line basis over their estimated useful lives. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

The Organization implies a time restriction, based on the assets' estimated useful lives, on donated equipment and equipment purchased using donor restricted cash.

1. Nature of business and significant accounting policies (continued):

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.

Concentration of pledges receivable:

Pledges receivable from one foundation constituted 96% and 82% of the net pledge receivable balance at June 30, 2018 and 2017, respectively.

Functional expenses:

Expenses have been allocated by function among program and supporting services classifications based upon direct expenditures and estimates made by the Organization's management.

Fair value measurements:

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety.

The three levels of the fair value hierarchy under GAAP guidance are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

1. Nature of business and significant accounting policies (continued):

Income taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. It is the policy of the Organization to assess any uncertain tax provisions and, if necessary, record a tax asset or liability, and the related income tax expense, for any uncertain tax provisions. The Organization’s tax returns are subject to review and examination by federal and state authorities. Management has evaluated the Organization’s tax positions and determined that there are no positions which are considered uncertain.

Reclassifications:

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Subsequent events:

The Organization evaluated for subsequent events through December 20, 2018, the date the financial statements were available for issuance.

2. Investments:

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Beneficial interest in TMF investment pool	<u>\$ 1,041,782</u>	<u>\$ 1,040,167</u>
Investment income and fees were as follows:		
Interest and dividends, net of expenses		\$ 1,020
Unrealized gains	\$ 81,721	136,031
Investment fees (included in program services expense)	<u>(10,105)</u>	<u>(10,229)</u>
	<u>\$ 71,616</u>	<u>\$ 126,822</u>

3. Funds held by others:

The Organization transferred assets to The Minneapolis Foundation (TMF) to establish a charitable fund where the Organization has specified itself as the beneficiary. TMF refers to this fund as an “agency fund” held for the Organization. Annual distributions are based on recommendations from the Organization. Unspent funds are reported as beneficial interests in the TMF investment pool.

The Organization is a beneficiary of several other designated funds at TMF. These funds total \$1,304,883 and \$1,250,895 for June 30, 2018 and 2017, respectively. These funds are not included in these financial statements since the initial donations to begin the funds were contributed directly to TMF and the Organization does not have variance power over these funds. In accordance with TMF’s spending policy, the Organization makes recommendations to TMF with respect to the distributions of these scholarships, teacher awards and special education funds. Annual distributions are based on these recommendations and are limited to TMF’s endowment distribution rate. Depending on the underlying funds, distributions may be sent to the Organization to then distribute to award recipients, or they may be sent directly to the recipients by TMF.

4. Pledges receivable: _____

Pledges receivable are due from the following organizations:

	<u>2018</u>	<u>2017</u>
Foundations	\$ 1,244,546	\$ 2,562,398
Individuals and other	<u>112,994</u>	<u>531,250</u>
	1,357,540	3,093,648
Less discount of 5% to net present value total		<u>(178,461)</u>
	<u>\$ 1,357,540</u>	<u>\$ 2,915,187</u>

Gross pledges receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 1,357,540	\$ 531,250
One to five years		<u>2,562,398</u>
	<u>\$ 1,357,540</u>	<u>\$ 3,093,648</u>

5. Property and equipment: _____

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Tenant improvements	\$ 46,216	\$ 23,346
Equipment	126,572	98,013
Software	62,743	62,743
Website development	76,719	76,719
Furniture	<u>4,327</u>	<u>5,665</u>
	316,577	266,486
Less accumulated depreciation	<u>228,011</u>	<u>198,447</u>
	<u>\$ 88,566</u>	<u>\$ 68,039</u>

Included in equipment at June 30, 2018 are cost and accumulated depreciation on a copier of \$22,177. At June 30, 2017, the amounts were \$22,177 and \$17,095, respectively. The capital lease requires monthly payments of \$462 and expired May 2018.

6. Commitments:

Leases:

The Organization rents office space and equipment under operating lease agreements that expire at various times through June 2019. In addition to the minimum rent, the Organization is also obligated to pay its share of operating costs. In 2018 and 2017 rent expense was \$40,007 and \$29,082, respectively.

Future minimum rental expenses are as follows:

Year ending June 30	Amount
2019	\$ 50,531
2020	51,122
2021	52,413
2022	53,705
2023	54,996
2024	4,664

7. Retirement plan:

The Organization sponsors defined contribution retirement plans. Matching contributions under the section 403(b) retirement plan, which covers employees with one or more year of service, were \$50,415 and \$40,042 for the years ended June 30, 2018 and 2017, respectively.

8. Net assets:

Temporarily restricted net assets are restricted for the following purposes or time:

	<u>2018</u>	<u>2017</u>
Temporarily restricted net assets:		
Scholarships, special awards and school funds	\$ 2,522,744	\$ 2,447,338
MPS Arts	82,666	136,945
AVID (Advancement via Individual Determination)	635,056	1,343,026
Collaborative for Education Excellence	165	165
STEM (Science, Technology, Engineering & Math)	379,683	1,053,847
MPS Other Strategic Initiatives	44,732	92,525
Career and College Initiative	1,364,148	2,056,369
STEP-UP Program	89,312	89,312
STEP-UP Student Wages	107,841	278,614
General operating, time restricted	<u>3,515</u>	<u>6,926</u>
Total Temporarily restricted net assets	<u>\$ 5,168,454</u>	<u>\$ 7,505,067</u>

The Board of Directors of Achieve have designated \$675,697 of unrestricted net assets as a general operating reserve as of June 30, 2018 and 2017.

9. Fair value:

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities, refer to Note 1, Summary of Significant Accounting Policies.

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in TMF Investment Pool	<u>\$ 1,041,782</u>			<u>\$ 1,041,782</u>

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in TMF Investment Pool	<u>\$ 1,040,167</u>			<u>\$ 1,040,167</u>

The following table provides a summary of changes in fair value of the Organization’s Level 1 financial assets for the years ended June 30, 2018 and 2017:

	<u>Beneficial interest in TMF investment pool</u>
Balance, July 1, 2016	\$ 986,865
Investment gains	136,031
Administrative fees	(10,229)
Withdrawals	<u>(72,500)</u>
Balance, June 30, 2017	1,040,167
Investment gains	81,721
Administrative fees	(10,106)
Withdrawals	<u>(70,000)</u>
Balance, June 30, 2018	<u>\$ 1,041,782</u>

The investments are held at The Minneapolis Foundation. The assets are held and invested in the Long-Term Growth Strategy fund. The Organization records the value of the investments based on information received from The Minneapolis Foundation.

STATEMENT OF FUNCTIONAL EXPENSES
EXCLUDING MSP FLOW-THROUGH FUNDS
YEAR ENDED JUNE 30, 2018

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	Total program services	Management and general	Fundraising	Total
Salaries	\$ 127,719	\$ 84,390	\$ 1,744,451	\$ 1,956,560	\$ 274,892	\$ 58,314	\$ 2,289,766
Employee benefits	7,988	12,513	168,714	189,215	37,312	7,095	233,622
Payroll taxes	9,717	6,384	134,101	150,202	22,291	4,452	176,945
Payroll fees and other	155	159	4,567	4,881	4,306	97	9,284
Total employee compensation	145,579	103,446	2,051,833	2,300,858	338,801	69,958	2,709,617
Staff:							
Development and training	20	-	8,378	8,398	5,733	483	14,614
Parking, mileage and travel	50	2	6,770	6,822	2,745	241	9,808
Rent	-	-	-	-	45,007	-	45,007
Telephone and Internet	660	-	3,658	4,318	12,170	660	17,148
Equipment	-	-	3,206	3,206	48,522	17,741	69,469
Insurance	-	-	-	-	12,620	-	12,620
Licenses and fees	-	-	5,235	5,235	5,359	811	11,405
Printing, postage and office supplies	14	73	6,979	7,066	7,309	9,937	24,312
Gifts and grants	-	-	1,143	1,143	-	-	1,143
Program:	-	-	-	-	-	-	-
Materials and supplies	-	-	2,857	2,857	-	-	2,857
Student wages	-	-	6,585	6,585	-	-	6,585
Student transportation and activity fees	-	-	5,164	5,164	-	-	5,164
Meeting and other expenses	-	-	58,669	58,669	503	-	59,172
Consultants and professional fees	-	-	889	889	19,761	-	20,650
PR, outreach, networking and website	-	-	4,170	4,170	14,592	488	19,250
Event Expense	-	-	-	-	12,682	4,436	17,118
In-kind	-	-	8,818	8,818	21,506	-	30,324
Other	-	2	5,153	5,155	4,139	476	9,770
Pledges uncollected	-	-	-	-	10,012	-	10,012
	146,323	103,523	2,179,507	2,429,353	561,461	105,231	3,096,045
Depreciation	782	1,410	26,920	29,112	7,900	2,603	39,615
Total expenses	\$ 147,105	\$ 104,933	\$ 2,206,427	\$ 2,458,465	\$ 569,361	\$ 107,834	\$ 3,135,660

See notes to financial statements.

MINNEAPOLIS PUBLIC SCHOOLS STATEMENT OF
EXPENSES FLOW-THROUGH FUNDS
YEAR ENDED JUNE 30, 2018

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	SU wage subsidies	Total
Licenses and fees	\$ 370	\$ -	\$ -	\$ 370
Gifts and grants	761,420	996,330	-	1,757,750
Program:				
Materials and supplies	33,010	-	-	33,010
Student wages	-	-	168,310	168,310
Student transportation and activity fees	13,500	-	-	13,500
Meeting and other expenses	781	10	-	791
Consultants and professional fees	55,022	52,336	-	107,358
Other	654	13,376	-	14,030
Total expenses	<u>\$ 864,757</u>	<u>\$ 1,062,052</u>	<u>\$ 168,310</u>	<u>\$ 2,095,119</u>