Financial statements of:

ACHIEVE!MINNEAPOLIS

Years ended
June 30, 2019 and 2018

	Page
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities and change in net assets	3
Statements of cash flows	4
Statements of functional expenses	5-6
Notes to financial statements	7-19
Supplementary information:	
Statement of functional expenses, excluding flow-through funds	20
Statement of functional expenses flow-through funds	21

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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, 2019 and 2018, 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, 2019 and 2018, 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 – Statement of Functional Expenses excluding flow-through funds and statement of functional expenses flow-through funds

Statement of functional expenses excluding flow-through funds for the year ended June 30, 2019 and the Statement of functional expenses flow-through funds for the year ended June 30, 2019 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.

Emphasis of Matters

As discussed in Note 8 to the financial statements, during the year the Organization made certain adjustments to restate 2018 financial statements to properly record contributions receivable in the year the promise to give was received and to properly classify certain contributions with donor restrictions and related net assets released from restrictions, as well as, record the release in the year the donor restriction was satisfied. Our opinion is not modified with respect to this matter.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was adopted in 2019 and has been reflected in the presentation of these consolidated financial statements. The ASU has been applied retrospectively to all periods presented. The ASU did not result in changes in net assets or between net assets with donor restrictions and net assets without donor restrictions. Our opinion is not modified with respect to this matter.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

June 11, 2020

ACHIEVE!MINNEAPOLIS

	2019	2018
Assets:		
Cash and cash equivalents	**$ 5,098,092**	$ 5,118,518
Accounts receivable	**337,402**	353,668
Contributions receivable	**159,171**	1,489,354
Other current assets	**25,719**	21,922
Beneficial interest in assets held by others	**922,525**	1,041,782
Property and equipment, net	**83,580**	88,566
Total assets	**$ 6,626,489**	$ 8,113,810
Liabilities and net assets:		
Accounts payable	**$ 251,937**	$ 223,067
Accrued:		
Payroll	**77,379**	69,988
Vacation	**62,269**	84,030
Grants and gifts payable	**245,837**	249,347
Other liabilities	**26,588**	10,258
Total liabilities	**664,010**	636,690
Net assets:		
Without donor restrictions:		
Undesignated	**655,120**	799,773
Designated by the Board for operating reserve	**675,697**	675,697
Total net assets without donor restrictions	**1,330,817**	1,475,470
With donor restrictions	**4,631,662**	6,001,650
Total net assets	**5,962,479**	7,477,120
Total liabilities and net assets	**$ 6,626,489**	$ 8,113,810

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	2019		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	$ 290,452	$ 1,999,178	$ 2,289,630
Contract income	945,874		945,874
Earned income	77,871		77,871
Change in fair value of beneficial interest in assets held by others		15,719	15,719
Interest income	33,624		33,624
Special events	142,997		142,997
In-kind contributions		2,500	2,500
Miscellaneous	26,697		26,697
Total revenue and support	1,517,515	2,017,397	3,534,912
Net assets released from restrictions	3,387,385	(3,387,385)	
	4,904,900	(1,369,988)	3,534,912
Expenses:			
Program services	4,391,211		4,391,211
Management and general	483,104		483,104
Fundraising	175,238		175,238
Total expenses	5,049,553		5,049,553
Change in net assets	(144,653)	(1,369,988)	(1,514,641)
Net assets, beginning	1,475,470	6,001,650	7,477,120
Net assets, ending	$ 1,330,817	$ 4,631,662	$ 5,962,479

2018		
Without donor restrictions	With donor restrictions	Total
$ 312,671	$ 2,005,644	$ 2,318,315
1,235,574		1,235,574
40,741		40,741
	81,721	81,721
16,955		16,955
89,903		89,903
	30,324	30,324
27,824		27,824
1,723,668	2,117,689	3,841,357
3,621,106	(3,621,106)	
5,344,774	(1,503,417)	3,841,357
4,558,065		4,558,065
569,361		569,361
107,834		107,834
5,235,260		5,235,260
109,514	(1,503,417)	(1,393,903)
1,365,956	7,505,067	8,871,023
$ 1,475,470	$ 6,001,650	$ 7,477,120

ACHIEVE!MINNEAPOLIS

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ (1,514,641)**	$ (1,393,903)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**41,512**	39,615
Loss on sale of property and equipment		3,824
Change in beneficial interest in assets held by others	**119,257**	(1,616)
(Increase) decrease in:		
Accounts receivable	**16,266**	(102,056)
Contributions receivable	**1,330,183**	1,425,833
Other current assets	**(3,797)**	13,789
Increase (decrease) in:		
Accounts payable	**28,870**	(176,960)
Accrued expenses	**(14,370)**	24,838
Other liabilities	**16,330**	10,258
Grants and gifts payable	**(3,510)**	82,300
Net cash provided by (used in) operating activities	**16,100**	(74,078)
Cash flows used in investing activities, purchase of property and equipment	**(36,526)**	(63,965)
Cash flows used in financing activities, capital lease payments		(4,620)
Change in cash and cash equivalents	**(20,426)**	(142,663)
Cash and cash equivalents, beginning of year	**5,118,518**	5,261,181
Cash and cash equivalents, end of year	**$ 5,098,092**	$ 5,118,518

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total program services	Management and general	Fundraising	Total
Salaries	$ 91,791	$ 78,638	$ 1,643,275	$ 1,813,704	$ 272,255	$ 108,678	$ 2,194,637
Employee benefits	4,850	10,588	172,781	188,219	30,610	11,727	230,556
Payroll taxes	7,439	6,090	127,742	141,271	19,133	8,018	168,422
Payroll fees and other	202	236	4,054	4,492	5,376	218	10,086
Total employee compensation	104,282	95,552	1,947,852	2,147,686	327,374	128,641	2,603,701
Gifts and grants	762,232	979,781	2,000	1,744,013	1,398	-	1,745,411
Rent	705	5,288	59,758	65,751	20,256	4,583	90,590
Telephone and internet	660		2,131	2,791	10,494	660	13,945
Equipment			652	652	38,621	18,264	57,537
Insurance				-	17,285		17,285
Licenses and fees	367		3,439	3,806	6,559	138	10,503
Printing, postage and office supplies		259	6,290	6,549	7,612	6,464	20,625
Program:							
Materials and supplies	12,752		1,202	13,954			13,954
Student wages			109,600	109,600			109,600
Student transportation and activity fees	5,260		1,552	6,812			6,812
Meeting and other expenses		275	24,819	25,094	85		25,179
Consultants and professional fees	46,418	105,150	515	152,083	21,258	2,119	175,460
PR, outreach, networking and website			1,897	1,897	6,715	839	9,451
Event Expense	1,565			1,565	5,302	10,427	17,294
Staff:							
Development and training			28,452	28,452	1,952	320	30,724
Parking, mileage and travel	41	965	15,296	16,302	5,845	387	22,534
In-kind					2,500		2,500
Other	545	32,188	2,023	34,756	-	180	34,936
	934,827	1,219,458	2,207,478	4,361,763	473,256	173,022	5,008,041
Depreciation	362	1,864	27,222	29,448	9,848	2,216	41,512
Total expenses	$ 935,189	$ 1,221,322	$ 2,234,700	$ 4,391,211	$ 483,104	$ 175,238	$ 5,049,553

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	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	134,362	150,463	22,291	4,452	177,206
Payroll fees and other	155	159	4,567	4,881	4,306	97	9,284
Total employee compensation	145,579	103,446	2,052,094	2,301,119	338,801	69,958	2,709,878
Gifts and grants	761,420	999,469	1,143	1,762,032			1,762,032
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			175,972	175,972			175,972
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	13,376	5,159	18,606	14,151	476	33,233
	1,011,080	1,168,712	2,349,161	4,528,953	561,461	105,231	5,195,645
Depreciation	782	1,410	26,920	29,112	7,900	2,603	39,615
Total expenses	$ 1,011,862	$ 1,170,122	$ 2,376,081	$ 4,558,065	$ 569,361	$ 107,834	$ 5,235,260

See notes to financial statements.

1. Nature of business and significant accounting policies:

Nature of business and major programs:

Achieve!Minneapolis Overview: Sparking success in college, career and life:

As the strategic nonprofit partner of Minneapolis Public Schools (MPS), Achieve!Minneapolis (AchieveMpls) rallies community support to inspire and equip 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 city.

While our high schools prepare students academically, AchieveMpls helps ensure that each student graduates 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 proven, interconnected career and college readiness programs that are available to students from their first day of ninth grade through high school graduation. These include AchieveMpls Career & College Centers in 11 MPS and four Saint Paul Public Schools (SPPS) high schools, Step Up paid internships and work readiness training, and volunteer programs that connect students with career exploration volunteers and mentors. 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, securing major grants for key district priorities and administering school and department funds, student scholarships and mini-grants for staff.

Through the Organization's agreement with MPS, which is in effect until June 30, 2020 and is in the process of being renewed, the two organizations are considered financially interrelated entities as a result of MPS board representation and ongoing economic interest in the net assets of Achieve and thus contributions the Organization receives on behalf of MPS and related expenses incurred are included in the Organization's financial statements.

Minneapolis Public Schools Priorities:

AchieveMpls also serves as the foundation for MPS, assisting the district in raising millions in corporate and foundation grants 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 administers over 92 college scholarships for MPS graduates and awards mini-grants for classrooms, staff professional development and field trips.

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

Nature of business and major programs (continued):

AchieveMpls Career & College Readiness Program:

Career & College Centers:

At the heart of AchieveMpls' work are its Career & College Centers (CCCs), which are embedded in 11 MPS and four SPPS high schools. Each year these CCCs provide personalized resources, connections and support to over 15,000 students. Staffed by college and career professionals from a variety of backgrounds, including licensed 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 track individual student progress to ensure that every senior has a post-graduation plan they are invested in and excited about.

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. Sixty-seven percent of graduating seniors at MPS schools with Career & College Centers completed the FAFSA or Dream Act – a strong predictor of college enrollment – compared with the state average of 49%. Students who utilize our CCCs also enroll in college at a 51% higher rate than those who do not.

The AchieveMpls Career Readiness Initiative – based in CCCs in four MPS high schools – offers more robust career exploration programming in addition to postsecondary planning. CRI connects 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 initiative, AchieveMpls also 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.

Step Up Youth Employment:

Step Up prepares today's youth for tomorrow's careers by recruiting, training and placing nearly 1,400 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 that spans 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 28,000 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.

Following the completion of summer internships, 91% of Step Up supervisors reported that their Step Up intern made a valuable contribution to the worksite, and 89% said the program was a success at their organization. 70% of Step Up interns say their internship helped them decide which career to pursue.

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

Nature of business and major programs (continued):

AchieveMpls Career & College Readiness Program (continued):

Volunteering with AchieveMpls

Each year, 800 community members donate over 4,500 hours of volunteer time with high school students to provide caring support and help them plan for careers and college. All of the Organization's programs are supported by volunteers.

Career Exploration volunteers from over 200 companies connect with MPS high school students annually to share their career journeys and information on a wide range of 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.

Over 400 community volunteers participate in the annual four-night **Step Up Mock Interviews,** interviewing and coaching hundreds of Step Up interns one-on-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.

In 2019, AchieveMpls transitioned its **Graduation Coaches** mentorship program into the care of Big Brothers Big Sisters of the Twin Cities. Launched in 2012, hundreds of volunteer Graduation Coaches supported over 1,500 high school students in building academic confidence and study skills, strengthening self-advocacy skills and creating plans for careers and postsecondary education.

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

Nature of business and major programs (continued):

AchieveMpls General Public Education Events:

AchieveMpls sparks community conversations on a wide variety of cutting-edge education and student-related topics through several public events that are designed to strengthen knowledge, support and advocacy for students and schools.

Based on the TEDTalks model, **EDTalks** feature compelling short talks on a wide variety of issues impacting education and young people, and provide opportunities for networking, community conversation and engagement. Hosted four to six times each year, recent topics include disability as diversity, engaging youth to address racial disproportionality in school suspensions, building resilience in students who are facing homelessness, the power of mentorship, and creating healthy and vibrant school workplaces.

In partnership with 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 school experience, participants gather to share insights and explore possible next steps in response to what they've seen and heard that day.

Achieve101 events provide opportunities for community members to get inside AchieveMpls Career & College Centers and see this work in action. Participants meet with professional staff, hear from students who utilize these career and college planning services, and learn how they can support students as volunteers, Step Up employers, donors and community partners.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was adopted in 2019 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily restricted net asset class has been renamed Net Assets With Donor Restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)

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

Basis of presentation:

Net assets, revenues, gains and losses are classified based on existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no donor-imposed restrictions that were perpetual in nature as of June 30, 2019 and 2018.

Concentration of credit risk:

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash deposits. The Organization maintains cash accounts at financial institutions where at times the cash balances exceed the federally insured limit of $250,000. The Organization has not experienced any loss associated with the practice.

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.

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 uncollectability 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, 2019 and 2018, 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, specifically contract income, 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.

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

Contributions receivable:

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires or is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions through net assets released from restrictions.

Contributions that are expected to be collected within one year are recorded at their net realizable value. Grants and promises to give 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 promise to give is received. Amortization of the discount is included in contributions. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions receivable are all due in less than one year and therefore are recorded at their net realizable value. Contributions receivable are considered collectible and therefore there is no allowance for doubtful accounts.

Beneficial interest in assets held by others:

The Organization has established a charitable fund at The Minneapolis Foundation (TMF). The charitable fund is invested in TMF's long-term growth strategy fund, and the Organization is the named beneficiary. The Organization has granted variance power to TMF, which allows TMF to modify any condition or restriction on its distributions for any specified charitable purposes or to any specified organization if, in the sole judgment of TMF's Board of Directors, such restrictions or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Additional contributions from the Organization or donors can be made to the charitable fund; however, TMF has authority to accept contributions to the Fund from others. Annual distributions are based on TMF's distribution formula and are directed at the recommendation of the Organization. The fund is held and invested by TMF for the Organization's benefit and is reported at the fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Additionally, various donors and the former MPS Foundation have established several other charitable funds held at TMF where TMF has been granted variance power and MPS is the named beneficiary. The Organization, as MPS's strategic nonprofit partner, makes recommendations to TMF with respect to the distributions of these scholarships, teacher awards and special education funds. Since MPS is the named beneficiary of these funds, they are not recorded in the Organization's financial statements. These funds total $1,274,859 and $1,304,883 as of June 30, 2019 and 2018, respectively.

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, 2019 and 2018. 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 expense as incurred; significant renewals or betterments are capitalized.

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 contributions receivable:

Contributions receivable from two foundations constituted 50% and one foundation constituted 84% of the contribution receivable balance at June 30, 2019 and 2018, respectively.

Functional allocation of expenses:

Expenses which are related to a specific program or supporting service are charged directly to that service. Salaries, rent and related expenses are allocated based on employee estimates of their dedicated time to each program. These estimates are reviewed by appropriate supervisors, then used by management when creating the functional allocation.

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; and 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.

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.

Subsequent events:

The Organization evaluated for subsequent events through June 11, 2020, the date the financial statements were available for issuance. As a result of the spread of the COVID-19, economic uncertainties have arisen which may negatively impact revenue in the near term. The impact, if any, of this uncertainty is not known at this time. (See Note 9)

2. Liquidity and availability:

The following represents the Organization's financial assets at June 30:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	**$ 5,098,092**	$ 5,118,518
Accounts receivables	**337,402**	353,668
Contributions receivable	**159,171**	1,489,354
Total financial assets	**5,594,665**	6,961,540
Less amounts not available to be used within one year:		
Net assets with donor restrictions	**4,631,929**	6,001,650
Less net assets with purpose restrictions to be met in less than a year	**(4,631,929)**	(3,387,385)
Designated net assets by the board	**675,697**	675,697
	675,697	3,289,962
Financial assets available to meet general expenditures over the next twelve months	**$ 4,918,968**	$ 3,671,578

2. Liquidity and availability (continued):

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $1,300,000). As part of the Organization's liquidity plan, the Organization invests cash in excess of daily requirements in money market funds. The Board of Directors of the Organization has designated $675,697 of unrestricted net assets as a general operating reserve as of June 30, 2019 and 2018.

3. Beneficial interest in assets held by others and fair value measurements:

Fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30 are as follows:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Beneficial interest in assets held by others - TMF Investment Pool			**$ 922,525**	**$ 922,525**

	2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others – TMF Investment Pool			$ 1,041,782	$ 1,041,782

The following is a description of the valuation methodologies used for Level 3 financial assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018:

Beneficial interest in assets held by others – Valuation is determined based on the net asset value of the pooled assets based on the beneficial interest in the assets held in the pool. The net asset value of the units held in the pooled separate account is based on the market value of the underlying security as represented by TMF.

3. Beneficial interest in assets held by others and fair value measurements (continued):

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended June 30, 2019 and 2018:

	Beneficial interest in assets held by others
Balance, July 1, 2017	$ 1,040,167
Change in fair value	81,721
Administrative fees*	(10,106)
Distributions	(70,000)
Balance, June 30, 2018	1,041,782
Change in fair value	**15,719**
Administrative fees*	**(9,976)**
Distributions	**(125,000)**
Balance, June 30, 2019	**$ 922,525**

*Included in program services expenses.

4. Property and equipment:

Property and equipment consist of the following as of June 30:

	2019	2018
Tenant improvements	**$ 46,216**	$ 46,216
Equipment	**161,660**	126,572
Software	**62,743**	62,743
Website development	**76,720**	76,719
Furniture	**5,763**	4,327
	353,102	316,577
Less accumulated depreciation	**269,522**	228,011
	$ 83,580	$ 88,566

5. Commitments:

Leases:

The Organization rents office space and equipment under operating lease agreements that expire at various times through August 2023. In addition to the minimum rent, the Organization is also obligated to pay its share of operating costs. In 2019 and 2018 rent expense and related costs were $90,590 and $45,007, respectively.

Future minimum rental expenses are as follows:

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

6. Retirement plan:

The Organization sponsors a defined contribution retirement plan, which is a 403(b). Employees with one or more years of service are eligible for a discretionary employer matching contribution. The Organization made employer matching contributions of $46,583 and $50,415 for the years ended June 30, 2019 and 2018, respectively.

7. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose or period:		
Scholarships, special awards and school funds	**$ 2,480,738**	$ 2,639,557
MPS Arts	**100,073**	82,666
AVID (Advancement via Individual Determination)	**711,404**	1,027,579
Collaborative for Education Excellence	**165**	165
STEM (Science, Technology, Engineering & Math)	**326,605**	726,589
MPS Other Strategic Initiatives	**140,507**	44,732
Career and College Initiative	**750,093**	1,115,017
STEP-UP Program	**101,424**	250,067
STEP-UP Student Wages	**20,403**	106,763
General operating, time restricted	**250**	8,515
Total net assets with donor restrictions	**$ 4,631,662**	$ 6,001,650

7. Net assets with donor restrictions (continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time specified by the donors for the years ended June 30, 2019 and 2018:

	2019	2018
Purpose/time fulfilled:		
Scholarships, special awards and school funds	**$ 1,058,609**	$ 993,798
MPS Arts	**50,062**	109,903
AVID (Advancement via Individual Determination)	**316,275**	377,812
Collaborative for Education Excellence	**0**	0
STEM (Science, Technology, Engineering & Math)	**405,474**	402,408
MPS Other Strategic Initiatives	**18,048**	234,727
Career and College Initiative	**1,055,474**	1,138,097
STEP-UP Program	**364,568**	191,165
STEP-UP Student Wages	**110,360**	171,851
General operating, time restricted	**8,515**	1,345
Total net assets released from restrictions	**$ 3,387,385**	$ 3,621,106

8. Restatement:

During the year the Organization made certain adjustments to restate 2018 financial statements to properly record contributions receivable in the year the promise to give was received and to properly classify certain contributions with donor restrictions and related net assets released from restrictions, as well as, record the release in the year the donor restriction was satisfied. These adjustments resulted in the following changes:

As of June 30, 2018			
Statement of financial position	As previously reported	Adjustment	Restated
Contributions receivable	$ 1,357,540	$ 131,814	$ 1,489,354
Other current assets	11,664	10,258	21,922
Total assets	7,971,738	142,072	8,113,810
Accounts payable	218,589	4,478	223,067
Other liabilities	0	10,258	10,258
Total liabilities	621,954	14,736	636,690
Net assets, without donor restrictions, undesignated	1,505,633	(705,860)	799,773
Net assets, with donor restrictions	5,168,454	833,196	6,001,650
Total net assets	$ 7,349,784	$ 127,336	$ 7,477,120

8. Restatement (continued):

For the year ended June 30, 2018			
Statement of activities and changes in net assets	As previously reported	Adjustment	Restated
Contributions, without donor restrictions	$ 312,668	$ 3	$ 312,671
Contributions, with donor restrictions	1,873,830	131,814	2,005,644
Net assets released from restrictions, without donor restrictions	4,322,488	(701,382)	3,621,106
Net assets released from restrictions, with donor restrictions	(4,322,488)	701,382	(3,621,106)
Expenses, program services	4,553,584	4,481	4,558,065
Change in net assets without donor restrictions	815,374	(705,860)	109,514
Change in net assets with donor restrictions	(2,336,613)	833,196	(1,503,417)
Total change in net assets	(1,521,239)	127,336	(1,393,903)
Net assets, ending, without donor restrictions	2,181,330	(705,860)	1,475,470
Net assets, ending, with donor restrictions	5,168,454	833,196	6,001,650

9. Subsequent events:

In April of 2020, the Organization received a Small Business Administration Paycheck Protection Program loan for $489,700. Under the terms of the loan, the principal can be forgiven if the funds are spent on eligible expenses. Based on the tracking of eligible expenses, management believes the loan will be forgiven based on current guidelines provided by the Small Business Administration. If any of the funds remain a loan, the loan has a maturity date of two years from the loan date and an interest rate of 1% per annum. Payments are deferred for six months immediately following the receipt of loan funds.

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	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total program services	Management and general	Fundraising	Total
Salaries	$ 91,791	$ 78,638	$ 1,643,275	$ 1,813,704	$ 272,255	$ 108,678	$ 2,194,637
Employee benefits	4,850	10,588	172,781	188,219	30,610	11,727	230,556
Payroll taxes	7,439	6,090	127,742	141,271	19,133	8,018	168,422
Payroll fees and other	202	236	4,054	4,492	5,376	218	10,086
Total employee compensation	104,282	95,552	1,947,852	2,147,686	327,374	128,641	2,603,701
Gifts and grants	-	(200)	2,000	1,800	1,398	-	3,198
Rent	705	5,288	59,758	65,751	20,256	4,583	90,590
Telephone and internet	660	-	2,131	2,791	10,494	660	13,945
Equipment	-	-	652	652	38,621	18,264	57,537
Insurance	-	-	-	-	17,285	-	17,285
Licenses and fees	-	-	3,439	3,439	6,559	138	10,136
Printing, postage and office supplies	-	259	6,290	6,549	7,612	6,464	20,625
Program:	-	-	-	-	-	-	-
Materials and supplies	-	-	1,202	1,202	-	-	1,202
Student wages	-	-	-	-	-	-	-
Student transportation and activity fees	1	-	1,552	1,553	-	-	1,553
Meeting and other expenses	-	-	24,819	24,819	85	-	24,904
Consultants and professional fees	-	-	515	515	21,258	2,119	23,892
PR, outreach, networking and website	-	-	1,897	1,897	6,715	839	9,451
Event Expense	1,565	-	-	1,565	5,302	10,427	17,294
Staff:			-	-			
Development and training	-	-	28,452	28,452	1,952	320	30,724
Parking, mileage and travel	41	15	15,296	15,352	5,845	387	21,584
In-kind	-	-	-	-	2,500	-	2,500
Other	(1,565)	19,522	2,023	19,980	-	180	20,160
	105,689	120,436	2,097,878	2,324,003	473,256	173,022	2,970,281
Depreciation	362	1,864	27,222	29,448	9,848	2,216	41,512
Total expenses	$ 106,051	$ 122,300	$ 2,125,100	$ 2,353,451	$ 483,104	$ 175,238	$ 3,011,793

See notes to financial statements.

	Minneapolis Public Schools Partnership		City of Mpls	
	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total
Gifts and grants	$ 762,232	$ 979,981		$ 1,742,213
Licenses and fees	367			367
Program:				
Materials and supplies	12,752			12,752
Student wages			$ 109,600	109,600
Student transportation and activity fees	5,259			5,259
Meeting and other expenses		275		275
Consultants and professional fees	46,418	105,150		151,568
Other	2,110	12,666		14,776
Staff Travel		950		950
Total expenses	$ 829,138	$ 1,099,022	$ 109,600	$ 2,037,760