

*Financial statements of:*

**ACHIEVE!MINNEAPOLIS**

Years ended  
June 30, 2020 and 2019

	Page
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes 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, 2020 and 2019, the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2020 and 2019, 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.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, on July 1, 2019, Achieve!Minneapolis adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Achieve!Minneapolis also adopted the FASB's ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The requirements of the ASUs have been applied retrospectively to all periods presented. The adoption of these accounting standards have not impacted the timing or amount of revenue recognized. Our opinion is not modified with respect to this matter.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of functional expenses excluding flow-through funds for the year ended June 30, 2020 and the Statement of functional expenses flow-through funds for the year ended June 30, 2020 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 & Schmitt*

April 21, 2021

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 6,272,527	\$ 5,098,092
Accounts receivable	524,027	337,402
Contributions receivable, net	2,655,902	159,171
Other assets	17,711	25,719
Beneficial interest in assets held by others	769,323	922,525
Property and equipment, net	<u>63,373</u>	<u>83,580</u>
 Total assets	 <u><u>\$ 10,302,863</u></u>	 <u><u>\$ 6,626,489</u></u>
<b>Liabilities and net assets:</b>		
Accounts payable	\$ 416,405	\$ 251,937
Accrued:		
Payroll	68,407	77,379
Vacation	97,912	62,269
Grants and gifts payable	252,353	245,837
Other liabilities	<u>19,633</u>	<u>26,588</u>
 Total liabilities	 <u>854,710</u>	 <u>664,010</u>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	869,713	655,120
Designated by the Board for operating reserve	<u>675,697</u>	<u>675,697</u>
Total net assets without donor restrictions	<u>1,545,410</u>	<u>1,330,817</u>
With donor restrictions	<u>7,902,743</u>	<u>4,631,662</u>
 Total net assets	 <u>9,448,153</u>	 <u>5,962,479</u>
 Total liabilities and net assets	 <u><u>\$ 10,302,863</u></u>	 <u><u>\$ 6,626,489</u></u>

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Contributions	\$ 392,570	\$ 5,919,078	6,311,648	\$ 290,452	\$ 1,999,178	\$ 2,289,630
Contributions, PPP		489,700	489,700			
Contract income	1,700,698		1,700,698	945,874		945,874
Earned income	67,512		67,512	77,871		77,871
Change in fair value of beneficial interest in assets held by others		6,461	6,461		15,719	15,719
Interest income	31,380		31,380	33,624		33,624
Special events, net of direct benefits to donors (2020 \$54,536 and 2019 \$50,033)	21,114	60,000	81,114	142,997		142,997
In-kind contributions					2,500	2,500
Miscellaneous				26,697		26,697
<b>Total revenue and support</b>	<b>2,213,274</b>	<b>6,475,239</b>	<b>8,688,513</b>	1,517,515	2,017,397	3,534,912
Net assets released from restrictions	3,204,158	(3,204,158)		3,387,385	(3,387,385)	
	<b>5,417,432</b>	<b>3,271,081</b>	<b>8,688,513</b>	4,904,900	(1,369,988)	3,534,912
Expenses:						
Program services	4,469,048		4,469,048	4,391,211		4,391,211
Management and general	546,773		546,773	483,104		483,104
Fundraising	187,018		187,018	175,238		175,238
<b>Total expenses</b>	<b>5,202,839</b>		<b>5,202,839</b>	5,049,553		5,049,553
Change in net assets	214,593	3,271,081	3,485,674	(144,653)	(1,369,988)	(1,514,641)
Net assets, beginning	1,330,817	4,631,662	5,962,479	1,475,470	6,001,650	7,477,120
Net assets, ending	\$ 1,545,410	\$ 7,902,743	\$ 9,448,153	\$ 1,330,817	\$ 4,631,662	\$ 5,962,479

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	<b>\$ 3,485,674</b>	\$ (1,514,641)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	<b>37,921</b>	41,512
Discount on contributions receivable	<b>127,376</b>	
Change in beneficial interest in assets held by others	<b>153,202</b>	119,257
(Increase) decrease in:		
Accounts receivable	<b>(186,625)</b>	16,266
Contributions receivable	<b>(2,624,107)</b>	1,330,183
Other assets	<b>8,008</b>	(3,797)
Increase (decrease) in:		
Accounts payable	<b>164,468</b>	28,870
Accrued expenses	<b>26,671</b>	(14,370)
Other liabilities	<b>(6,955)</b>	16,330
Grants and gifts payable	<b>6,516</b>	(3,510)
Net cash provided by operating activities	<u><b>1,192,149</b></u>	<u>16,100</u>
Cash flows used in investing activities, purchase of property and equipment	<u><b>(17,714)</b></u>	<u>(36,526)</u>
Change in cash and cash equivalents	<b>1,174,435</b>	(20,426)
Cash and cash equivalents, beginning of year	<u><b>5,098,092</b></u>	<u>5,118,518</u>
Cash and cash equivalents, end of year	<u><u><b>\$ 6,272,527</b></u></u>	<u><u>\$ 5,098,092</u></u>

	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total program services	Management and general	Fundraising	Direct benefits to donors	Total
Salaries	\$ 112,299	\$ 95,094	\$ 1,798,733	\$ 2,006,126	\$ 230,103	\$ 118,313		\$ 2,354,542
Employee benefits	5,434	7,671	181,659	194,764	17,312	13,683		225,759
Payroll taxes	8,451	7,127	133,763	149,341	17,998	8,619		175,958
Payroll fees and other	206	245	5,215	5,666	3,476	248		9,390
Total employee compensation	126,390	110,137	2,119,370	2,355,897	268,889	140,863		2,765,649
Gifts and grants	885,292	657,421		1,542,713				1,542,713
Rent	1,619	21,049	62,927	85,595	16,893	5,813		108,301
Telephone and internet	1,339	108	3,775	5,222	9,121			14,343
Equipment			3,360	3,360	64,981	21,317		89,658
Insurance					12,484			12,484
Licenses and fees			1,866	1,866	5,218	269		7,353
Printing, postage and office supplies			4,921	4,921	4,964	8,228		18,113
Program:								
Materials and supplies	1,310		3,826	5,136				5,136
Student wages			7,381	7,381				7,381
Student transportation and activity fees	(228)		5,980	5,752				5,752
Meeting and other expenses			43,442	43,442	456			43,898
Consultants and professional fees	44,563	235,941	58,563	339,067	111,799	270		451,136
PR, outreach, networking and website			1,271	1,271	8,376	394		10,041
Event Expense			318	318	5,554	6,888	\$ 54,536	67,296
Staff:								
Development and training			5,244	5,244	4,620	346		10,210
Parking, mileage and travel	6		11,727	11,733	2,121	178		14,032
Other	4,782	14,404	2,499	21,685	24,012	261		45,958
	1,065,073	1,039,060	2,336,470	4,440,603	539,488	184,827	54,536	5,219,454
Depreciation	1,121	907	26,417	28,445	7,285	2,191		37,921
Total expenses by function	1,066,194	1,039,967	2,362,887	4,469,048	546,773	187,018	54,536	5,257,375
Less expenses included with revenues on the statement of activities:								
Direct benefits to donors							(54,536)	(54,536)
Total expenses included in the expense section on the statement of activities	\$ 1,066,194	\$ 1,039,967	\$ 2,362,887	\$ 4,469,048	\$ 546,773	\$ 187,018	\$ -	\$ 5,202,839



	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total program services	Management and general	Fundraising	Direct benefits to donors	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
<b>Total employee compensation</b>	<b>104,282</b>	<b>95,552</b>	<b>1,947,852</b>	<b>2,147,686</b>	<b>327,374</b>	<b>128,641</b>		<b>2,603,701</b>
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	\$ 50,033	67,327
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	50,033	5,058,074
Depreciation	362	1,864	27,222	29,448	9,848	2,216		41,512
<b>Total expenses by function</b>	<b>935,189</b>	<b>1,221,322</b>	<b>2,234,700</b>	<b>4,391,211</b>	<b>483,104</b>	<b>175,238</b>	<b>50,033</b>	<b>5,099,586</b>
Less expenses included with revenues on the statement of activities:								
Direct benefits to donors							(50,033)	(50,033)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 935,189</b>	<b>\$ 1,221,322</b>	<b>\$ 2,234,700</b>	<b>\$ 4,391,211</b>	<b>\$ 483,104</b>	<b>\$ 175,238</b>	<b>\$ -</b>	<b>\$ 5,049,553</b>

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 community.

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. AchieveMpls recognizes the value in every path to personal and economic success and provides caring guidance and expertise to empower each student to pursue the best options for their career and college goals – including 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 high school internships and work readiness training; and volunteer programs that connect students with career exploration volunteers and mentors. AchieveMpls has also piloted a new Achieve College Internships program to provide additional professional development opportunities for college alumni of Achieve Mpls programs.

AchieveMpls also strengthens community engagement and support for students and schools through public education events, and it serves as the MPS foundation, securing major grants for key district priorities and administering school and department funds, student scholarships and small grants for classrooms and staff.

Through the Organization's agreement with MPS, which is in effect until June 30, 2021, 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 Partnership:**

In addition to being a program partner through its 11 Career & College Centers in MPS high schools, AchieveMpls also serves as the foundation for MPS. In this role it assists the district in raising millions in corporate and foundation grants for key district priorities such as STEM (Science, Technology, Engineering and Math), AVID (Advancement via Individual Determination) and college and career readiness programs. It also processes over \$1 million each year in private donations to MPS schools and departments and distributes funds to support a variety of MPS activities, ranging from classroom supplies to artists and field trips. AchieveMpls also administers over 92 college scholarships for MPS graduates and awards small 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 15 Minneapolis and Saint Paul public high schools. In a typical year, the 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 a wide range of personalized services, including expert career exploration advising, career events with local professionals, college fairs and tours, college rep visits, assistance with FAFSA, financial aid and college applications, advice on resume writing and job interviewing, connections with internship and job opportunities, and links to other college access providers. In a recent year, 67% 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 utilized our CCCs also enrolled in college at a 51% higher rate than those who did not.

AchieveMpls also provides robust career exploration programming, connecting students with a wide variety of career and training opportunities that help them prepare to access family-supporting, high-demand and high-growth careers more quickly after high school. It also brings employers into high schools to meet with students via career speaker events and takes students out into the community to participate in interactive worksite tours.

In March 2020, with the closure of all public schools in Minnesota due to COVID-19, the CCCs transitioned to remote services. In collaboration with school district and community partners, the CCC team offered virtual advising and a wide range of targeted career and college planning support.

**Internship Programs:****Step Up Youth Employment:**

Step Up prepares today's youth for tomorrow's careers by recruiting, training and placing hundreds of Minneapolis youth (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 also 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 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. Interns collectively earn over \$3 million in wages each summer for themselves and their families.

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

Nature of business and major programs (continued):

**AchieveMpls Career & College Readiness Program (continued):****Internship Programs (continued):****Step Up Youth Employment:**

In summer 2020, Step Up was one of the few programs in the U.S. to continue offering career opportunities for young people during the COVID-19 pandemic. Over 1,800 Minneapolis youth completed Step Up in-person or remote work readiness training, paid internships, or a paid online career exploration program.

**Achieve College Internships:**

Launched in 2020, the new Achieve College Internships program provides career-building opportunities for college juniors – especially Minneapolis Public Schools graduates and Step Up alumni – who are underrepresented in Twin Cities companies and local internship programs. The program connects students with high-quality paid summer internships, mentors and professional networks that can help launch their careers. It also helps employers strengthen their recruitment and retention of talented, diverse students who want to begin their careers in the Twin Cities. In 2020 the program collaborated with the Minnesota Private College Fund to provide internships for 28 African American men, connecting them with employers ranging from global businesses to local companies, nonprofits and community-based organizations.

**Volunteering with AchieveMpls**

In a typical year, 800 community members from over 200 Twin Cities companies donate over 4,500 hours of volunteer time with high school students to provide caring support and help them plan for careers and college. Due to the COVID-19 pandemic, many of these AchieveMpls volunteer opportunities were scaled back, postponed or transitioned to remote platforms to ensure safety for volunteers and students.

**Career Exploration volunteers** connect with high school students to share their career journeys and insights on a wide range of career and training opportunities. Through in-school career speaker events 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. In 2020, volunteers from several companies participated in COVID-safe remote career panels which were live-streamed or recorded for later use with students.

Each year, 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.

Due to the sudden closure of schools in March 2020 due to the pandemic, the 2020 mock interviews had to be cancelled, and will be offered again in 2021 in a virtual format.

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. Again, many of these opportunities were postponed in 2020 due to the pandemic.

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, which 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 4-6 times each year, recent topics have focused on disability as diversity, addressing racial disparities in schools, building resilience in students who are facing homelessness 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 an MPS school, see their principal in action and interact with staff and students. Following their school experience, participants share insights and explore possible next steps in response to what they've seen and heard that day. This event had to be cancelled in spring 2020 because of COVID-19.

**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.

**COVID-19 pandemic:**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary business closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy including the Organization's operations and certain programs.

The extent to which the COVID-19 pandemic impacts the Organization's future results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

**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, 2020 and 2019.

**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.

**Concentrations of contributions and contributions receivable:**

Contributions from one foundation accounted for 62% of contributions for the year ended June 30, 2020. No concentration of contributions were present for the year ended June 30, 2019. Contributions receivable from one and two foundation(s) constituted 96% and 50% of the contribution receivable balance at June 30, 2020 and 2019, respectively.

**Cash and cash equivalents:**

Cash and cash equivalents consist of bank deposits and money market accounts.

**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, 2020 and 2019, there were no material balances that were deemed uncollectible, therefore, no reserve for uncollectible accounts was considered necessary at either year end.

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

## Contract and earned income:

Government grants and contracts are generally considered exchange transactions and recorded as revenues, specifically contract and earned 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.

## Contributions receivable and contributions:

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. A conditional promise to give includes a measurable performance or other barrier, and a right of return of funds if the condition is not met. A conditional contribution is recorded as revenue and/or receivable when the conditions on which they depend are substantially met or explicitly waived by the donor, that is, when the conditional contribution becomes unconditional.

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 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 \$1,223,230 and \$1,274,859 as of June 30, 2020 and 2019, respectively.

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

## 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. 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.

## 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.

## Reclassifications:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between period presented. The reclassifications had no impact on previously reported net assets.

## 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.

**Changes in accounting principles:**

On July 1, 2019 the Organization adopted Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606). Topic 606 is a comprehensive new revenue recognition standard that superseded most existing revenue recognition guidance under accounting principles generally accepted in the United States of America (GAAP). The standard's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 prescribes a five step process to accomplish this core principle, including:

- Identification of the contract with the customer;
- Identification of the performance obligation(s) under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligation(s); and
- Recognition of revenue as (or when) an entity satisfies the identified performance obligation(s).

This framework requires entities to make greater use of judgements and estimates than previously required under GAAP. Topic 606 also prescribes additional disclosures and financial statement presentations.

On July 1, 2019 the Organization also adopted ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 establishes standards for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to Topic 606 and if a contribution, determining whether a contribution is conditional.

The requirements of the ASUs resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Subsequent events:**

The Organization has evaluated the effects subsequent events would have on the financial statements through April 21, 2021, which is the date of the financial statements were available for issuance.

2. Liquidity and availability:

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 6,272,527	\$ 5,098,092
Accounts receivables	524,027	337,402
Contributions receivable, net	<u>2,655,902</u>	<u>159,171</u>
Total financial assets	<u>9,452,456</u>	<u>5,594,665</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	7,902,743	4,631,662
Less net assets with purpose restrictions to be met in less than a year	<u>(6,668,886)</u>	<u>(4,631,662)</u>
Designated net assets by the board	<u>675,697</u>	<u>675,697</u>
	<u>1,909,554</u>	<u>675,697</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,542,902</u>	<u>\$ 4,918,968</u>

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, 2020 and 2019.

3. Contributions receivable:

Unconditional contributions receivable are estimated to be collected as follows at June 30:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 1,534,977	\$ 159,171
In one to five years	<u>1,248,301</u>	<u>                    </u>
Gross contributions receivable	<u>2,783,278</u>	<u>159,171</u>
Less discount to net present value at 4.25%	<u>(127,376)</u>	<u>                    </u>
Total contributions receivable, net	<u>\$ 2,655,902</u>	<u>\$ 159,171</u>

4. 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:

	<b>2020</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Beneficial interest in assets held by others - TMF Investment Pool			<b>\$ 769,323</b>	<b>\$ 769,323</b>

  

	<b>2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Beneficial interest in assets held by others – TMF Investment Pool			<b>\$ 922,525</b>	<b>\$ 922,525</b>

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, 2020 and 2019:

*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.

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, 2020 and 2019:

	<u>Beneficial interest in assets held by others</u>
Balance, July 1, 2018	\$ 1,041,782
Change in fair value	15,719
Administrative fees*	(9,976)
Distributions	<u>(125,000)</u>
Balance, June 30, 2019	922,525
Change in fair value	<b>6,461</b>
Administrative fees*	<b>(9,663)</b>
Distributions	<u><b>(150,000)</b></u>
Balance, June 30, 2020	<b><u>\$ 769,323</u></b>

\*Included in program services expenses.

5. Property and equipment:

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

	<u>2020</u>	<u>2019</u>
Tenant improvements	\$ 46,216	\$ 46,216
Equipment	179,374	161,660
Software	62,743	62,743
Website development	76,720	76,720
Furniture	<u>5,763</u>	<u>5,763</u>
	370,816	353,102
Less accumulated depreciation	<u>307,443</u>	<u>269,522</u>
	<u>\$ 63,373</u>	<u>\$ 83,580</u>

6. Commitments:

Leases:

The Organization rents office space and equipment under operating lease agreements that expire at various times through February 2024. In addition to the minimum rent, the Organization is also obligated to pay its share of operating costs. In 2020 and 2019 rent expense and related costs were \$108,301 and \$90,590, respectively.

Future minimum rental expenses are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2021	\$ 53,517
2022	54,809
2023	56,100
2024	5,354

7. 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 \$36,758 and \$46,583 for the years ended June 30, 2020 and 2019, respectively.

8. Net assets with donor restrictions:

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or period:		
Scholarships, special awards and school funds	\$ 2,276,831	\$ 2,480,738
MPS Arts	127,474	100,073
AVID (Advancement via Individual Determination)	123,234	711,404
STEM (Science, Technology, Engineering & Math)	2,038,061	326,770
MPS Other Strategic Initiatives	410,540	140,507
Career and College Initiative	2,603,971	750,093
STEP-UP Program	224,862	101,424
STEP-UP Student Wages	37,770	20,403
General operating, time restricted	<u>60,000</u>	<u>250</u>
Total net assets with donor restrictions	<u>\$ 7,902,743</u>	<u>\$ 4,631,662</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose/time fulfilled:		
Scholarships, special awards and school funds	\$ 785,332	\$ 1,058,609
MPS Arts	29,340	50,062
AVID (Advancement via Individual Determination)	331,237	316,275
STEM (Science, Technology, Engineering & Math)	515,509	405,474
MPS Other Strategic Initiatives	91,164	18,048
Career and College Initiative	932,380	1,055,474
STEP-UP Program	14,085	364,568
STEP-UP Student Wages	9,033	110,360
Paycheck protection program (see Note 9)	489,700	
General operating, time restricted	<u>6,378</u>	<u>8,515</u>
Total net assets released from restrictions	<u>\$ 3,204,158</u>	<u>\$ 3,387,385</u>

**9. Paycheck Protection Program loan and contribution:**

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In April of 2020, the Organization received a Small Business Administration Paycheck Protection Program loan (PPP loan) for \$489,700. Under the terms of the loan, the principal can be forgiven if the funds are spent on eligible expenses, such as payroll, benefits, rent and utilities. 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 with deferral of payments for the first 10 months.

The Organization elected to account for the PPP loan under conditional contribution guidance. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as management believes the aforementioned PPP loan conditions were substantially met as of June 30, 2020. Therefore \$489,700 is recorded as a PPP contribution, as of June 30, 2020. The Organization intends to apply for full loan forgiveness during the year ending June 30, 2021.

SUPPLEMENTARY INFORMATION - STATEMENT OF FUNCTIONAL EXPENSES

EXCLUDING FLOW-THROUGH FUNDS

YEAR ENDED JUNE 30, 2020

**ACHIEVE!MINNEAPOLIS**

	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	Total program services	Management and general	Fundraising	Total
Salaries	\$ 112,299	\$ 95,094	\$ 1,798,733	\$ 2,006,126	\$ 230,103	\$ 118,313	\$ 2,354,542
Employee benefits	5,434	7,671	181,659	194,764	17,312	13,683	225,759
Payroll taxes	8,451	7,127	133,763	149,341	17,998	8,619	175,958
Payroll fees and other	206	245	5,215	5,666	3,476	248	9,390
<b>Total employee compensation</b>	<b>126,390</b>	<b>110,137</b>	<b>2,119,370</b>	<b>2,355,897</b>	<b>268,889</b>	<b>140,863</b>	<b>2,765,649</b>
Rent	1,619	7,682	62,927	72,228	16,893	5,813	94,934
Telephone and internet	1,339	108	3,775	5,222	9,121	-	14,343
Equipment	-	-	3,360	3,360	64,981	21,317	89,658
Insurance	-	-	-	-	12,484	-	12,484
Licenses and fees	-	-	1,866	1,866	5,218	269	7,353
Printing, postage and office supplies	-	-	4,921	4,921	4,964	8,228	18,113
Program:							
Materials and supplies	-	-	3,826	3,826	-	-	3,826
Student transportation and activity fees	-	-	5,980	5,980	-	-	5,980
Meeting and other expenses	-	-	40,712	40,712	456	-	41,168
Consultants and professional fees	15,000	135,105	58,563	208,668	111,799	270	320,737
PR, outreach, networking and website	-	-	1,271	1,271	8,376	394	10,041
Event Expense	-	-	318	318	5,554	6,888	12,760
Staff:							
Development and training	-	-	5,244	5,244	4,620	346	10,210
Parking, mileage and travel	6	-	11,727	11,733	2,121	178	14,032
Other	-	8	2,499	2,507	24,012	261	26,780
	144,354	253,040	2,326,359	2,723,753	539,488	184,827	3,448,068
Depreciation	1,121	907	26,417	28,445	7,285	2,191	37,921
<b>Total expenses</b>	<b>\$ 145,475</b>	<b>\$ 253,947</b>	<b>\$ 2,352,776</b>	<b>\$ 2,752,198</b>	<b>\$ 546,773</b>	<b>\$ 187,018</b>	<b>\$ 3,485,989</b>

**ACHIEVE!MINNEAPOLIS**

	Minneapolis Public Schools Partnership		City of Mpls	Total
	Minneapolis Public Schools priorities	Scholarships, awards & school funds	Career & college readiness	
Gifts and grants	\$ 885,292	\$ 657,421		\$ 1,542,713
Rent		13,367		13,367
Program:				
Materials and supplies	1,310			1,310
Student wages			\$ 7,381	7,381
Student transportation and activity fees	(228)			(228)
Meeting and other expenses			2,730	2,730
Consultants and professional fees	29,563	100,836		130,399
Other	4,782	14,396		19,178
Total expenses	\$ 920,719	\$ 786,020	\$ 10,111	\$ 1,716,850