

Financial statements of:

ACHIEVE!MINNEAPOLIS

Years ended
June 30, 2015 and 2014

	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	7-16



INDEPENDENT AUDITOR'S REPORT

Schechter Dokken Kanter
Andrews & Selcer Ltd

Board of Directors
Achieve!Minneapolis
Minneapolis, Minnesota

Suite 1600

Report on the Financial Statements

100 Washington Avenue South

We have audited the accompanying financial statements of Achieve!Minneapolis (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Minneapolis, MN

Management's Responsibility for the Financial Statements

55401-2192

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.

Phone 612-332-5500

Auditor's Responsibility

Fax 612-332-1529

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.

E-mail info@sdkcpa.com

www.sdkcpa.com

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, 2015 and 2014, 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.

*Schechter, Doherty, Kauter
Andrew & Silverstein*

October 23, 2015

ACHIEVE!MINNEAPOLIS

	<u>2015</u>	<u>2014</u>
<i>Assets:</i>		
Cash and cash equivalents	\$ 5,321,702	\$ 4,364,999
Investments	1,474,223	3,392,945
Accounts receivable	49,334	40,276
Pledges receivable, net	1,197,685	2,420,827
Prepaid expenses	20,549	12,150
Property and equipment, net	<u>70,925</u>	<u>51,068</u>
 Total assets	 <u><u>\$ 8,134,418</u></u>	 <u><u>\$ 10,282,265</u></u>
<i>Liabilities and net assets:</i>		
Accounts payable	\$ 872,184	\$ 530,101
Accrued:		
Payroll	41,916	44,941
Vacation	48,708	50,260
Grants and gifts payable	88,144	63,968
Capital lease payable	<u>16,171</u>	<u>21,715</u>
 Total liabilities	 <u>1,067,123</u>	 <u>710,985</u>
Net assets:		
Unrestricted:		
Undesignated	535,481	503,515
Board designated	<u>458,464</u>	<u>457,258</u>
Total unrestricted net assets	<u>993,945</u>	<u>960,773</u>
Temporarily restricted	<u>6,073,350</u>	<u>8,610,507</u>
 Total net assets	 <u>7,067,295</u>	 <u>9,571,280</u>
 Total liabilities and net assets	 <u><u>\$ 8,134,418</u></u>	 <u><u>\$ 10,282,265</u></u>

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	2015		
	Unrestricted	Temporarily restricted	Total
Revenue and support:			
Contributions	\$ 276,152	\$ 2,548,843	\$ 2,824,995
Contract income	1,020,157		1,020,157
Earned income	113,952		113,952
Net investment income	10,476	3,741	14,217
Special events	12,847	75,620	88,467
In-kind contributions	9,607	9,280	18,887
Miscellaneous	37,925		37,925
Total revenue and support	1,481,116	2,637,484	4,118,600
Net assets released from restrictions	5,174,641	(5,174,641)	
	6,655,757	(2,537,157)	4,118,600
Expenses:			
Program services	6,209,654		6,209,654
Management and general	201,505		201,505
Fundraising	211,426		211,426
Total expenses	6,622,585		6,622,585
Change in net assets	33,172	(2,537,157)	(2,503,985)
Net assets, beginning	960,773	8,610,507	9,571,280
Net assets, ending	\$ 993,945	\$ 6,073,350	\$ 7,067,295

See notes to financial statements.

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

2014		
Unrestricted	Temporarily restricted	Total
\$ 288,145	\$ 5,697,737	\$ 5,985,882
988,215		988,215
95,547		95,547
10,273	173,560	183,833
51,218	60,000	111,218
891		891
29,304		29,304
1,463,593	5,931,297	7,394,890
4,008,907	(4,008,907)	
5,472,500	1,922,390	7,394,890
4,946,305		4,946,305
204,266		204,266
197,576		197,576
5,348,147		5,348,147
124,353	1,922,390	2,046,743
836,420	6,688,117	7,524,537
\$ 960,773	\$ 8,610,507	\$ 9,571,280

ACHIEVE!MINNEAPOLISSTATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,503,985)	\$ 2,046,743
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	25,784	29,435
Unrealized (gains) losses on investments	16,923	(156,326)
(Increase) decrease in:		
Accounts receivable	(9,058)	(2,560)
Contributions receivable	1,223,142	(2,128,446)
Prepaid expenses	(8,399)	3,686
Increase (decrease) in:		
Accounts payable	342,083	101,359
Accrued expenses	(4,577)	(3,079)
Grants and gifts payable	24,176	5,847
	<u>(893,911)</u>	<u>(103,341)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(45,641)	(2,671)
Proceeds from the sale of investments	1,901,825	2,451,365
Purchase of investments	(26)	(1,550,000)
	<u>1,856,158</u>	<u>898,694</u>
Net cash provided by investing activities		
Cash flows used in financing activities, capital lease payments	<u>(5,544)</u>	<u>(462)</u>
Increase in cash and cash equivalents	956,703	794,891
Cash and cash equivalents, beginning of year	<u>4,364,999</u>	<u>3,570,108</u>
Cash and cash equivalents, end of year	<u>\$ 5,321,702</u>	<u>\$ 4,364,999</u>
Supplemental cash flow information:		
Non-cash financing activities, equipment financed through capital lease		<u>\$ 22,177</u>

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	STEP-UP student wages	Total program services	Management and general	Fundraising	Total
Salaries	\$ 115,463	\$ 70,991	\$ 1,086,446		\$ 1,272,900	\$ 200,458	\$ 135,460	\$ 1,608,818
Employee benefits	10,613	13,063	91,380		115,056	30,092	15,578	160,726
Payroll taxes	10,037	6,177	95,605		111,819	18,000	11,689	141,508
Payroll and other fees	115	130	2,459		2,704	1,301	202	4,207
Total employee compensation	136,228	90,361	1,275,890		1,502,479	249,851	162,929	1,915,259
Staff:								
Development, training and conferences		110	7,059		7,169	14,956	2,126	24,251
Parking, mileage and travel	594	32	4,095	\$ 37	4,758	2,169	379	7,306
Rent	1,313	1,389	14,792		17,494	2,697	2,209	22,400
Telephone and internet	1,051	514	7,854		9,419	1,165	1,894	12,478
Equipment	1,414	1,504	16,677		19,595	15,613	11,673	46,881
Insurance						10,265		10,265
Licenses and fees			2,625		2,625	6,809	451	9,885
Printing, postage and office supplies		163	10,367		10,530	6,450	10,162	27,142
Gifts and grants	2,921,740	1,212,803			4,134,543			4,134,543
Program:								
Materials and supplies			41,020	2,775	43,795			43,795
Student wages				184,939	184,939			184,939
Consultants and professional fees			64,580		64,580	25,694	3,300	93,574
PR, outreach, networking and website			7,720		7,720	9,357	1,720	18,797
In-kind			9,280		9,280	9,607		18,887
Other			3,655		3,655	9,945	11,560	25,160
Overhead	14,100	9,580	144,858		168,538	(168,538)		
Pledges uncollected			288		288	951		1,239
	<u>3,076,440</u>	<u>1,316,456</u>	<u>1,610,760</u>	<u>187,751</u>	<u>6,191,407</u>	<u>196,991</u>	<u>208,403</u>	<u>6,596,801</u>
Depreciation	931	995	16,321		18,247	4,514	3,023	25,784
Total expenses	\$ 3,077,371	\$ 1,317,451	\$ 1,627,081	\$ 187,751	\$ 6,209,654	\$ 201,505	\$ 211,426	\$ 6,622,585

ACHIEVE!MINNEAPOLIS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	STEP-UP student wages	Total program services	Management and general	Fundraising	Total
Salaries	\$ 127,190	\$ 63,913	\$ 1,081,375		\$ 1,272,478	\$ 227,404	\$ 133,480	\$ 1,633,362
Employee benefits	10,607	11,309	84,877		106,793	29,329	13,029	149,151
Payroll taxes	11,389	5,938	98,231		115,558	20,715	11,943	148,216
Payroll and other fees	120	113	2,849		3,082	1,312	223	4,617
Total employee compensation	149,306	81,273	1,267,332		1,497,911	278,760	158,675	1,935,346
Staff:								
Development, training and conferences			4,571		4,571	3,743	1,290	9,604
Parking, mileage and travel	218	25	4,457		4,700	2,702	173	7,575
Rent	1,254	1,192	12,594		15,040	3,535	2,077	20,652
Telephone and internet	1,616	449	7,969		10,034	1,468	1,287	12,789
Equipment	1,334	1,270	13,442		16,046	15,150	8,633	39,829
Insurance						10,070		10,070
Licenses and fees	379		1,958		2,337	6,566	550	9,453
Printing, postage and office supplies	1,487	104	11,300		12,891	6,290	8,104	27,285
Gifts and grants	1,885,638	739,609			2,625,247			2,625,247
Program:								
Materials and supplies	39,121	138	29,000	\$ 165	68,424			68,424
Student wages				212,665	212,665			212,665
Consultants and professional fees	166,680	35,210	63,638		265,528	20,473		286,001
PR, outreach, networking and website	2,309		4,809		7,118	7,808	12,744	27,670
Other	404	12,493	1,780		14,677	7,608	683	22,968
Overhead	15,398	8,704	141,242		165,344	(165,344)		
Pledges uncollected	2,198	936			3,134			3,134
	<u>2,267,342</u>	<u>881,403</u>	<u>1,564,092</u>	<u>212,830</u>	<u>4,925,667</u>	<u>198,829</u>	<u>194,216</u>	<u>5,318,712</u>
Depreciation	1,259	1,175	18,204		20,638	5,437	3,360	29,435
Total expenses	\$ 2,268,601	\$ 882,578	\$ 1,582,296	\$ 212,830	\$ 4,946,305	\$ 204,266	\$ 197,576	\$ 5,348,147

ACHIEVE!MINNEAPOLIS

1. Nature of business and significant accounting policies:

Nature of business and major programs:

AchieveMpls (AchieveMpls or the Organization) is the strategic nonprofit partner of the Minneapolis Public Schools (MPS). Our mission is to mobilize a wide web of community support and resources to ensure academic achievement, equitable opportunities, and career and college readiness for all students. Over the last decade we have placed more than 7,000 low-income youth in paid summer jobs, significantly increased the college-going rate for MPS students, engaged over 1,000 businesses and nonprofits to support public education in our city, and enlisted hundreds of community members as volunteers with students.

While MPS focuses on preparing students academically, we are creating a comprehensive system of programs and partnerships to offer students the non-academic skills, resources, and experiences they need to succeed in the 21st Century workplace. The programs in our Career and College Initiative make a long-term impact on students' lives by showing them the tangible connections between academic effort and future success. Failure to see this connection is the number one reason high school dropouts cite for leaving school.

AchieveMpls Career and College Centers:

Through generous donor funding, AchieveMpls Career and College Centers (CCCs) are open to every student in every comprehensive MPS high school and two specialty high schools, and help thousands of young people fulfill their life ambitions. Our CCC coordinators offer individual guidance to thousands of students on college searches, financial aid, and career opportunities. They host workshops for students and parents, organize college visits, bring hundreds of business and community leaders into the schools to engage with students, and much more.

All ten CCC coordinators are AchieveMpls employees who collaborate closely with their high school counseling team. They devote the vast majority of their time to one-on-one support for individual students, with special focus on

potential first-generation college students whose family members have not navigated the process to attain post-secondary education. With constantly-improving technology resources providing real-time data on student progress, CCC coordinators meet individually with all seniors and seek out those who do not come proactively to the centers to ensure that every student in their building has a post-graduation academic and financial plan for success. For the vast majority of students this means taking the ACT, securing financial aid, and applying for college. For other students, this can mean a decision to apply for an internship, a full-time job, or military service.

AchieveMpls leaders work with our counterparts in the Minneapolis Public School leadership team to adopt a joint definition of career and college readiness and deploy new technologies to help us better track the students we serve and how they are achieving. We track every student we serve in the CCCs by scanning student IDs. This rich data enables us to identify gaps in service delivery and build strategies to reach students who have the greatest need for intervention and support. Using this data, AchieveMpls and MPS are working together to ensure that every student achieves these highly-focused critical college-going milestones:

- Meeting at least one college representative
- Completing financial aid applications, including the FAFSA
- Taking the ACT and other post-secondary tests
- Completing at least one college application before graduation

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

Nature of business and major programs (continued):
AchieveMpls Career and College Centers (continued):

Our increased reliance on data helps our CCC coordinators better ensure that all student needs are being met. For example, coordinators now engage more intentionally with all high school males based on data that uncovered a gap in services. This year they will use tracking data to engage in school-specific work plans to ensure that all school sites are serving all students equitably.

In addition, CCC leadership has been aligning its work more closely with the MPS Research and Evaluation and Career and College Readiness divisions to ensure that our coordinators' work aligns with and supports the work of school counselors. This alignment helps ensure that each school continues to deploy and improve its career and college readiness system to better meet the needs of all students. Through student-centered coordinator services, strong use of data, and alignment with the district, AchieveMpls helps ensure that all students have the access, resources and ability to pursue post-secondary options that will enable them to lead successful and enriching lives.

STEP-UP Achieve:

Since 2004, the STEP-UP Achieve youth employment program—in partnership with the City of Minneapolis—has trained and placed more than 7,000 Minneapolis students in high-quality paid summer internships and connected thousands of community members with low-income youth as work supervisors and mock interview volunteers. STEP-UP co-chairs R.T. Rybak, former Minneapolis mayor and current executive director of Generation Next, and Richard Davis, U.S. Bank Chair, President & CEO lead the public-private partnership at the heart of our nationally-recognized model. By partnering with over 160 corporate, public sector and nonprofit employers—including Wells Fargo, U.S. Bank, Best Buy, Target, HealthPartners, Thrivent, Hennepin County and many others—STEP-UP Achieve connects

companies with their highly talented and diverse next generation workforce. STEP-UP serves populations that face some of the greatest barriers to employment, particularly youth from low income families, youth of color, youth from immigrant families, and youth with disabilities.

This year, more than 700 STEP-UP Achieve interns:

- Participated in work readiness training certified by the Minneapolis Regional Chamber of Commerce
- Explored their career interests
- Gained valuable on-the-job experience and coaching
- Made strong and long-lasting professional connections
- Engaged in skill-building and career-laddering they can use in school and future employment
- Were invited to participate in industry-specific trainings and events that helped deepen and integrate their career exposure with post-secondary education and career planning
- Had the opportunity to gain industry-recognized certifications for careers in healthcare and business

ACHIEVE!MINNEAPOLIS

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

Nature of business and major programs (continued):

STEP-UP Achieve (continued):

Prior to their summer internships, interns received eight hours of work readiness training focused on 21st Century skills, including professional communication, appropriate use of technology, workplace expectations, interview techniques, resume-building, networking, and other skills. We reduced our training class sizes, improved trainer quality, incorporated more interactive activities, and strengthened the emphasis on helping students understand professional expectations in the workplace. The training culminated in our annual STEP-UP Mock Interviews, where hundreds of volunteers from the city's professional community conducted mock job interviews and provided feedback that helped students prepare for their summer internships. Students who successfully completed their training and internship received a credential certified by the Minneapolis Regional Chamber of Commerce.

STEP-UP Achieve also offered school-year work opportunities for advanced interns at dozens of businesses and partnered with the MPS Office of Work-Based Learning to offer full-semester "capstone" experiences that allow our highest-achieving interns to receive flexible scheduling and academic credit for their out-of-school jobs.

Through STEP-UP Achieve Pipelines in five industry sectors, we helped students jump-start their professional development by connecting them to certifications in fields like healthcare and financial services. In partnership with leading companies and professionals in STEM, healthcare, financial services, outdoor/environmental, and legal services, we are designing trainings, outreach, networking events, and industry-recognized certifications that help Minneapolis youth deepen their professional interests and get a jump start on great careers.

For example, the STEM Pipeline hosts our annual STEM expo and an exciting, day-long entrepreneurship training with CoCo Minneapolis and local tech start-ups, featuring new Google technology and a product design and pitch competition. Our healthcare interns can participate in Pre-Employment to Healthcare (PETH) training and have the opportunity to learn skills from medical professionals at the annual week-long Urban Scrubs Camp at Augsburg College, as well as monthly trainings with The Ladder, a nonprofit that connects high schoolers, medical school students, and healthcare professionals. STEP-UP interns also can train for official Microsoft Excel certification via free online courses in their workplace and in-person professional development classes.

Looking to the future of STEP-UP Achieve, we are working with a consulting team from McKinsey and Company to evaluate strategies for expanding youth employment opportunities in the Twin Cities metro and replicating the STEP-UP model in other communities nationally. We have assisted the cities of St. Paul, Brooklyn Center and Brooklyn Park with the design and implementation of their youth employment internship programs.

ACHIEVE!MINNEAPOLIS

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

Nature of business and major programs (continued):

AchieveMpls Outreach and Partnerships:

We believe the health of our city is fundamentally intertwined with the success of our young people. The AchieveMpls Outreach and Partnerships (OPs) team educated community members about their stake in the success of Minneapolis students and created opportunities for hundreds of volunteers to take action and directly support students. The OPs team matched 500 high school juniors and seniors with volunteer Graduation Coaches; organized 9 career fairs with diverse presenters from dozens of professions to introduce students to the wide range of careers available; hosted community forums on education issues; and built a citywide alumni network to unite Minneapolis Public School graduates in service to the next generation of students.

Graduation Coaches are community volunteers who make a commitment to mentor a high school student and help him or her stay on track to go to college and be ready for a great career. Last year, over 400 volunteers were matched with students in four high schools to meet monthly over the course of the year and help students plan their future and ensure they are on track to graduate high school and go on to college. Using a structured curriculum, coaches shared their own life experiences, connected students to academic and community resources, taught problem-solving skills, and ensured that students understood the steps they must take now to meet their future college and career goals. In addition to these universal topics, at the beginning of the mentorship students set a personal academic goal for the year and work with their coach to achieve it. In coordination with AchieveMpls Career and College Centers, Graduation Coaches are a crucial element in our ambitious goal that every MPS student will complete the necessary milestones and be on track for college by the time they graduate.

MPS Career Fairs take place in 9 of the city's public high schools and reach thousands of students. With over 200 volunteers representing dozens of occupations and industries, Career Fairs educate students about the jobs they're already interested in and introduce them to careers they might never have imagined. The OPs team works with diversity networks such as the National Association of Black Accountants to employ diverse volunteers who look like the students they are meeting. Students participated in such activities as a 3-D simulation of painting a car and listened to the career journeys of the Minneapolis Chief of Police, Minneapolis city council members, and a Hennepin County Judge.

In our Emerging Leaders program, students came together in every MPS high school to become "college access ambassadors" with a plan to build leadership skills and help their classmates graduate ready for college and careers. More than 100 students met twice a month in AchieveMpls Career & College Centers to explore leadership skills, learn about college-going statistics at their school, and design projects tailored to the needs of their peers.

EDTalks is an innovative series of events that engage young professionals in public education issues. Three EDTalks programs featured experts delivering 20-minute presentations on compelling education issues, followed by Q&A and networking. Speakers included Kao Kalia Yang, author of *The Latecomer*, Dana Mortenson, founder of WorldSavvy, and many others, with topics ranging from arts in education to empowering Somali youth. Each EDTalks event is recorded and posted online. EDTalks is a partnership between AchieveMpls, the Citizens League, Young Education Professionals of the Twin Cities, and Young Professionals of Minneapolis.

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

Nature of business and major programs (continued):

AchieveMpls Outreach and Partnerships (continued):

Minneapolis Alumni Connection (MAC) is a network of 25-40 year-old alumni of Minneapolis public high schools who are committed to supporting public education in Minneapolis. MAC's goals are to support current MPS students in preparing for college and careers and to connect MPS alumni from all backgrounds for increased personal and professional success. MAC is led by a steering committee and holds networking events and volunteer opportunities throughout the year. MAC also hosts the CollegeCrewMpls.org blog, which features college advice and reflections written by new MPS graduates for current MPS students who are looking at college options.

Community Partner Workshops for MPS Students:

Minneapolis' leading businesses recognize that their future depends on the success of Minneapolis youth. A key goal for Outreach and Partnerships was to help businesses create effective and impactful opportunities for their employees to share their unique skillsets with MPS students. For instance:

- **Deloitte** offered a four-week interview/resume skills workshop
- **PwC** offered an eight-week financial literacy curriculum at three MPS high schools
- **Wells Fargo** sent "Success Coaches" to Washburn High School for an eight-week career skills workshop

Support for Minneapolis Public Schools:

AchieveMpls works closely with MPS to accomplish our shared goal of every student career and college ready. Together we are working hard to close the achievement gap and dramatically improve outcomes for all students in Minneapolis. We raise millions of dollars from corporations and foundations for MPS for career and college readiness, early literacy, focused instruction, STEM education, teacher

and principal quality, and other strategic priorities. We also support MPS by managing individual school funds, student scholarships, and professional development grants for teachers and staff. Since 2004, this collaborative work has resulted in increased graduation rates, ACT test-taking and college matriculation, as well as a significant decline in student drop-out rates.

Basis of presentation:

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

Unrestricted - Unrestricted net assets consist of resources available for current operations and over which the Organization has discretionary control.

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

Permanently Restricted - Permanently restricted net assets consist of resources for which the use has been permanently restricted by donors. There were no permanently restricted net assets as of June 30, 2015 and 2014.

Cash and cash equivalents:

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

Investments:

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

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

Investments (continued):

The Organization has entered into a CDARS (the Certificate of Deposit Account Registry Service) Deposit Placement Agreement. Under the program, funds are placed with a custodian bank in certificates of deposit issued by a variety of participating banks in the name of the Organization. This allows the Organization to avoid exceeding FDIC limits at a particular financial institution. The maturity on these certificates of deposit range from thirteen weeks to two years and are carried at face value, which approximates fair value. During 2015, this program was concluded, the remaining certificates of deposits will be held through their maturity date.

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

Accounts receivable:

The Organization recognizes receivables at net realizable value. Accordingly, the Organization provides for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. Services are sold on an unsecured basis. When all collection efforts have been exhausted, the accounts are written off against the allowance. With respect to accounts receivable at June 30, 2015 and 2014, there were no material balances that were deemed uncollectible. Therefore no reserve for uncollectible accounts was considered necessary at year end.

Government grants and contracts:

Government grants and contracts are generally considered exchange transactions and recorded as revenues when the related costs are incurred. Amounts received prior to the cost being incurred

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

As a condition of receiving certain grants, the Organization is obligated to arrange specified matching funds from sources other than the grantor. The Organization was able to secure a matching arrangement during 2015 and 2014 with the City of Minneapolis whereby the City of Minneapolis provided a \$100,000 match on a federal program grant. The funds were paid directly by the City of Minneapolis to the program participants; therefore, these matching funds are not recorded in the financial statements of the Organization.

Use of estimates:

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

Contributions and pledges receivable:

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

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

Contributions and pledges receivable (continued):

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

Property and equipment:

Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. No such donations in 2015 and 2014. Depreciation of property and equipment is provided for on a straight-line basis over their estimated useful lives. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

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

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 one foundation constituted 91% and 94% for June 30, 2015 and 2014, respectively, of the net pledges receivable balance.

Functional expenses:

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

Fair value measurements:

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

Fair value measurements (continued):

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.

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. The tax returns for the years 2012 through 2014 are open to examination by federal and state authorities.

Reclassifications:

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Subsequent events:

The Organization evaluated for subsequent events through October 23, 2015, the date the financial statements were available for issuance.

2. Investments:

Investments consist of the following:

	<u>2015</u>	<u>2014</u>
Beneficial interest in		
TMF investment pool	\$ 1,071,641	\$ 1,090,793
Certificates of deposit held		
in CDARS program	<u>402,582</u>	<u>2,302,152</u>
	<u>\$ 1,474,223</u>	<u>\$ 3,392,945</u>

Investment income was as follows:

Interest and dividends, net		
of expenses	\$ 10,476	\$ 10,273
Unrealized gains	<u>3,741</u>	<u>173,560</u>
	<u>\$ 14,217</u>	<u>\$ 183,833</u>

3. Funds held by others:

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

The Organization is a beneficiary of several other designated funds at TMF. These funds total \$1,084,971 and \$1,128,336 for June 30, 2015 and 2014, respectively. These funds are not included in these financial statements since the initial donations to begin the funds were contributed directly to TMF and the Organization does not have variance power over these funds. In accordance with TMF’s spending policy, the Organization makes recommendations to TMF with respect to the distributions of these scholarships, teacher awards and special education funds. Annual distributions are based on these recommendations and are limited to TMF’s endowment distribution rate. Depending on the underlying funds, distributions may be sent to the Organization to then distribute to award recipients, or they may be sent directly to the recipients by TMF.

4. Pledges receivable:

Pledges receivable are due from the following organizations:

	<u>2015</u>	<u>2014</u>
Minnesota Community Foundation		\$ 50,000
Cargill Foundation	\$ 1,140,000	2,450,000
Individuals and other	<u>113,171</u>	<u>92,858</u>
	1,253,171	2,592,858
Less:		
Discount of 5% to net present value total	<u>55,486</u>	<u>172,031</u>
	<u>\$ 1,197,685</u>	<u>\$ 2,420,827</u>

Gross pledges receivable are due as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,253,171	\$ 1,452,858
One to five years	<u> </u>	<u>1,140,000</u>
	<u>\$ 1,253,171</u>	<u>\$ 2,592,858</u>

All pledges are considered collectible.

5. Property and equipment:

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Tenant improvements	\$ 26,093	\$ 26,093
Equipment	88,302	46,563
Software	55,481	55,481
Website development	<u>35,911</u>	<u>35,911</u>
	205,787	164,048
Less accumulated depreciation	<u>134,862</u>	<u>112,980</u>
	<u>\$ 70,925</u>	<u>\$ 51,068</u>

6. Commitments:

Leases:

The Organization rents office space and equipment under operating lease agreements that expire at various times through December 2017. In addition to the minimum rent, the Organization is also obligated to pay its share of operating costs.

Future minimum rental expenses are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ 27,926
2017	13,900

Purchase obligations:

The Organization has various supplier commitments in place that provide services to be used by the Organization in conducting its operating activities. As of June 30, 2015, the Organization had the following purchase obligations:

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ 33,592
2017	30,792

7. Retirement plan:

The Organization sponsors defined contribution retirement plans. Matching contributions under the section 403(b) retirement plan, which covers employees with one or more year of service, were \$36,851 and \$35,704 for the years ended June 30, 2015 and 2014, respectively.

8. Net assets:

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

	<u>2015</u>	<u>2014</u>
Scholarships, special awards and school funds	\$ 2,166,343	\$ 2,206,649
MPS Arts	156,669	154,281
AVID (Advancement via Individual Determination)	924,007	1,269,603
Collaborative for Education Excellence	28,266	1,420,457
STEM (Science, Technology, Engineering & Math)	1,192,495	1,570,879
MPS Other Strategic Initiatives	234,853	472,051
Career and College Initiative	937,866	1,082,700
STEP-UP student wages	286,077	268,465
General operating	146,774	165,422
	<u>\$ 6,073,350</u>	<u>\$ 8,610,507</u>

9. Fair value:

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

	<u>2015</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Beneficial interest in TMF Investment Pool			<u>\$1,071,641</u>	<u>\$ 1,071,641</u>

	<u>2014</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Beneficial interest in TMF Investment Pool			<u>\$1,090,793</u>	<u>\$ 1,090,793</u>

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, 2015 and 2014:

	<u>Beneficial interest in TMF investment pool</u>
Balance, July 1, 2013	\$ 937,566
Investment gains	164,227
Withdrawals	<u>(11,000)</u>
Balance, June 30, 2014	1,090,793
Investment losses	(6,152)
Withdrawals	<u>(13,000)</u>
Balance, June 30, 2015	<u>\$ 1,071,641</u>

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