

Financial statements of:

ACHIEVE!MINNEAPOLIS

Years ended
June 30, 2016 and 2015

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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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achieve!Minneapolis as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information – Statements of Functional Expenses by Unit

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

*Schechter, Doherty, Kauter
Andrew é Schmidt.*

November 8, 2016

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 4,414,850	\$ 5,321,702
Investments	1,390,660	1,474,223
Accounts receivable	213,371	49,334
Pledges receivable, net	175,495	1,197,685
Prepaid expenses	42,130	20,549
Property and equipment, net	57,360	70,925
	<u>57,360</u>	<u>70,925</u>
Total assets	<u>\$ 6,293,866</u>	<u>\$ 8,134,418</u>
Liabilities and net assets:		
Accounts payable	\$ 461,160	\$ 872,184
Accrued:		
Payroll	43,319	41,916
Vacation	43,706	48,708
Grants and gifts payable	179,119	88,144
Capital lease payable	10,164	16,171
	<u>10,164</u>	<u>16,171</u>
Total liabilities	<u>737,468</u>	<u>1,067,123</u>
Net assets:		
Unrestricted:		
Undesignated	705,606	535,481
Board designated	459,677	458,464
Total unrestricted net assets	<u>1,165,283</u>	<u>993,945</u>
Temporarily restricted	4,391,115	6,073,350
	<u>4,391,115</u>	<u>6,073,350</u>
Total net assets	<u>5,556,398</u>	<u>7,067,295</u>
Total liabilities and net assets	<u>\$ 6,293,866</u>	<u>\$ 8,134,418</u>

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

	2016		
	Unrestricted	Temporarily restricted	Total
Revenue and support:			
Contributions	\$ 583,490	\$ 1,527,375	\$ 2,110,865
Contract income	1,077,868		1,077,868
Earned income	143,227		143,227
Net investment income (loss)	8,976	(28,577)	(19,601)
Special events	64,848	91,900	156,748
In-kind contributions	6,356		6,356
Miscellaneous	22,442		22,442
Total revenue and support	1,907,207	1,590,698	3,497,905
Net assets released from restrictions	3,272,933	(3,272,933)	
	5,180,140	(1,682,235)	3,497,905
Expenses:			
Program services	4,516,374		4,516,374
Management and general	288,905		288,905
Fundraising	203,523		203,523
Total expenses	5,008,802		5,008,802
Change in net assets	171,338	(1,682,235)	(1,510,897)
Net assets, beginning	993,945	6,073,350	7,067,295
Net assets, ending	\$ 1,165,283	\$ 4,391,115	\$ 5,556,398

See notes to financial statements.

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

2015		
Unrestricted	Temporarily restricted	Total
\$ 276,152	\$ 2,548,843	\$ 2,824,995
1,020,157		1,020,157
113,952		113,952
10,476	3,741	14,217
12,847	75,620	88,467
9,607	9,280	18,887
37,925		37,925
1,481,116	2,637,484	4,118,600
5,174,641	(5,174,641)	
6,655,757	(2,537,157)	4,118,600
6,209,654		6,209,654
201,505		201,505
211,426		211,426
6,622,585		6,622,585
33,172	(2,537,157)	(2,503,985)
960,773	8,610,507	9,571,280
<u>\$ 993,945</u>	<u>\$ 6,073,350</u>	<u>\$ 7,067,295</u>

ACHIEVE!MINNEAPOLISSTATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,510,897)	\$ (2,503,985)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	26,866	25,784
Unrealized losses on investments	83,563	16,923
(Increase) decrease in:		
Accounts receivable	(164,037)	(9,058)
Contributions receivable	1,022,190	1,223,142
Prepaid expenses	(21,581)	(8,399)
Increase (decrease) in:		
Accounts payable	(411,024)	342,083
Accrued expenses	(3,599)	(4,577)
Grants and gifts payable	90,975	24,176
	<u>(887,544)</u>	<u>(893,911)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(13,301)	(45,641)
Proceeds from the sale of investments		1,901,825
Purchase of investments		(26)
	<u>(13,301)</u>	<u>1,856,158</u>
Net cash (used in) provided by investing activities		
Cash flows used in financing activities, capital lease payments	<u>(6,007)</u>	<u>(5,544)</u>
(Decrease) increase in cash and cash equivalents	(906,852)	956,703
Cash and cash equivalents, beginning of year	<u>5,321,702</u>	<u>4,364,999</u>
Cash and cash equivalents, end of year	<u>\$ 4,414,850</u>	<u>\$ 5,321,702</u>

See notes to financial statements.

ACHIEVE!MINNEAPOLIS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	STEP-UP student wages	Total program services	Management and general	Fundraising	Total
Salaries	\$ 101,490	\$ 82,255	\$ 1,231,048		\$ 1,414,793	\$ 233,829	\$ 127,661	\$ 1,776,283
Employee benefits	10,033	13,148	105,604		128,785	34,775	12,593	176,153
Payroll taxes	8,591	6,674	102,229		117,494	19,780	10,501	147,775
Payroll and other fees	118	152	3,903		4,173	2,276	149	6,598
Total employee compensation	120,232	102,229	1,442,784		1,665,245	290,660	150,904	2,106,809
Staff:								
Development, training and conferences			4,499		4,499	6,265	616	11,380
Parking, mileage and travel	94	9	3,797		3,900	1,735	43	5,678
Rent	621	1,794	17,459		19,874	4,246	1,711	25,831
Telephone and internet	1,091	746	9,508		11,345	1,940	1,787	15,072
Equipment	625	1,918	18,892		21,435	19,147	9,491	50,073
Insurance						10,468		10,468
Licenses and fees	83		6,693		6,776	4,319	79	11,174
Printing, postage and office supplies	170	92	11,410		11,672	5,283	12,277	29,232
Gifts and grants	1,318,673	839,487			2,158,160	28		2,158,188
Program:								
Materials and supplies	10,270		872		11,142			11,142
Student wages				\$ 147,357	147,357			147,357
Student transportation and activity fees	3,151		1,075		4,226			4,226
Meeting and other expenses	75		22,720		22,795	800		23,595
Consultants and professional fees	128,623	77,827	2,250		208,700	75,401	10,519	294,620
PR, outreach, networking and website	206		3,893	90	4,189	27,037	12,907	44,133
In-kind			5,172		5,172	1,184		6,356
Other	95	11,654	41		11,790	5,334		17,124
Overhead	12,313	10,765	157,847		180,925	(180,925)		
Pledges uncollected						9,478		9,478
	1,596,322	1,046,521	1,708,912	147,447	4,499,202	282,400	200,334	4,981,936
Depreciation	461	837	15,874		17,172	6,505	3,189	26,866
Total expenses	\$ 1,596,783	\$ 1,047,358	\$ 1,724,786	\$ 147,447	\$ 4,516,374	\$ 288,905	\$ 203,523	\$ 5,008,802

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
	3,076,440	1,316,456	1,610,760	187,751	6,191,407	196,991	208,403	6,596,801
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

See notes to financial statements.

1. Nature of business and significant accounting policies:

Nature of business and major programs:

As the strategic nonprofit partner of Minneapolis Public Schools (MPS), AchieveMpls mobilizes a wide web of community resources to ensure academic achievement, equitable opportunities and career and college readiness for all students. We believe that preparing our young people to succeed in school, work and life is the best investment we can make in our city's health and vitality.

While MPS prepares students academically, AchieveMpls focuses on ensuring that all students graduate career and college ready. Our city has one of the country's widest employment opportunity gaps by race, and by 2020, 74% of all jobs in our state will require high-quality post-secondary education. AchieveMpls is working hard to close these gaps and help young people identify and successfully pursue meaningful high-wage careers and post-secondary education. We accomplish this work through individualized student support and resources in our Career & College Centers in ten MPS high schools, work readiness training and paid internships through our STEP-UP Achieve youth employment program, and by connecting MPS students with 800 community volunteers who serve as Graduation Coaches, career event presenters, mock interviewers and trainers each year.

Minneapolis Public Schools Partnership:

As part of our historic relationship with MPS—which stretches back to our founding in 2002—AchieveMpls also supports the district by raising millions in corporate and foundation support for key MPS priorities and managing over 130 MPS school and department funds, college scholarships and mini-grants for MPS staff and classrooms.

In partnership with MPS leadership, we pursue major grant support for such priorities as STEM education, AVID (Advancement via Individual Determination) college readiness and human capital development programs. In addition to this fundraising, in 2015-16 AchieveMpls also:

- Administered over 85 college scholarship awards for MPS seniors worth over \$145,000
- Distributed over \$11,000 in mini-grants for classrooms, field trips grants and professional development for MPS teachers
- Made awards to MPS teachers through the Minneapolis Educator Leadership Award, an innovative new peer-nominated program. Eight educators received over \$65,000 to support classroom projects ranging from an arts residency program for students with developmental disabilities to an outdoor adventure school at a Minneapolis park. Other projects included a “makerspace cabinet” to help recently immigrated high school students access the Maker Movement, and an examination of indigenous resistance throughout history.

Each year we also partner with MPS on the annual Principal Partner Day, an invitation-only event that matches 50 Twin Cities business and civic leaders with MPS principals for a half-day shadowing experience. Participants get a behind-the-scenes view of a MPS school, learn about daily challenges facing principals, meet MPS staff and students and share feedback and strategies with principals and other participants.

1. Nature of business and significant accounting policies:

Nature of business and major programs (continued):

Career & College Centers (CCCs):

AchieveMpls Career & College Centers (CCCs) help thousands of MPS students make their career and post-secondary dreams come true. Located in ten MPS high schools, our CCCs are hubs for post-secondary planning and are available to all 9,000 MPS high school students. We provide individualized support to over 3,500 students each year—particularly students from lower-income families and students of color. We offer the personal attention and strategic guidance that all students need to create a plan for career success after graduation, whether that means college, technical training, apprenticeships or other opportunities. Our resources include:

- Post-secondary school fairs, tours and recruiter visits
- Career exploration events with local professionals
- ACT and SAT test preparation
- Post-secondary application assistance
- FAFSA, financial aid and scholarship assistance
- Resume writing, job interview and other skills workshops

We proactively engage underserved students and strive to ensure that all students complete critical milestone for future success. For most youth, this means taking the ACT, completing the FAFSA, applying for post-secondary education and securing financial aid. For others, this can be applying for an internship, securing a full-time job, entering an apprenticeship, or other opportunity. In the 2015-2016 academic year:

- 3,530 individual students—42% of all MPS high school students—made 11,818 visits to our CCCs.
- Nearly eight in ten seniors visited a CCC at least once to seek individual help. 87% of seniors who visited their CCC completed a college application compared to 82% of all seniors.
- Nearly two out of three students who accessed one-on-one guidance were low-income youth
- 76% of students who worked with our CCC Coordinators were students of color. We also served 50% of all MPS American Indian students.

Our CCC coordinators track several key indicators on post-secondary planning and personally follow up with every senior to ensure they have a post-graduation plan. In the 2015-2016 academic year:

- Of *graduating* seniors 96%—1,317 students—applied to a post-secondary school or reported having a plan for life after graduation.
- To date, according to the Federal FAFSA database, 1,168 students completed a FAFSA in a school served by our CCCs, 118 more students than the prior year.
- 71% of seniors reported completing a Free Application for Federal Student Aid (FAFSA) or a Minnesota Dream ACT state application (for undocumented immigrants). Completing these applications is a critical first step in attending post-secondary school, especially for low-income students.

1. Nature of business and significant accounting policies:

Nature of business and major programs (continued):

STEP-UP Achieve Youth Employment Program:

Each year, our STEP-UP Achieve youth employment program—part of the City of Minneapolis STEP-UP program—provides high-quality work readiness training, professional mentoring and paid internships for over 700 Minneapolis youth (ages 16-21) who face some of the greatest barriers to employment. Since 2004, STEP-UP Achieve has created nearly 8,000 high-quality internships and helped hundreds of businesses identify and nurture future talent for their industries. In 2015-2016:

- STEP-UP Achieve partnered with over 150 Twin Cities companies, nonprofits and public agencies to provide 767 paid summer and school year internships in 15 industries.
- Interns earned \$1.4 million in wages at their work sites.
- STEP-UP Achieve provided work-readiness training for 2,036 low-income youth from STEP-UP Achieve and STEP-UP Discover (a City of Minneapolis STEP-UP program for younger students).
- 90% of STEP-UP Achieve interns came from low-income families. 88% were youth of color, 63% were potentially first-generation college students and 54% were first or second generation immigrants.
- 95% of interns who participated in our survey said STEP-UP Achieve prepared them to become valuable contributors to the future workforce.
- 96% of STEP-UP Achieve supervisors surveyed said the program was a success at their organization; 73% said that that if they had a job opening they would hire their intern as an employee.

In addition to internships, STEP-UP Achieve also collaborates with dozens of corporate, higher education and government partners across the Twin Cities on STEP-UP Achieve Career Pipelines. Employers and experts in STEM, healthcare, financial services, outdoor/environment and legal services collaborate to design sector-specific trainings, networking events and industry-recognized certifications for Minneapolis youth. In 2015-16 our Career Pipeline activities included:

- **STEM:** Our annual High Tech Innovation Day connected STEP-UP Achieve interns who are interested in technology careers with Twin Cities tech leaders and entrepreneurs. Hosted by CoCo Minneapolis, 44 interns, CoCo members, and trainers from 15 local high tech companies engaged in a full day of design thinking exercises and product creation competitions. Our STEM Pipeline also coordinated a new IT Training Credential for 15 interns, which required completion of a 21-hour class led by a community college IT instructor and featuring lectures and hands-on activities. This new certification program introduced students to Scratch, Linux, Python, computer security and careers and education in IT.
- **Healthcare:** 152 STEP-UP Achieve interns participated in our day-long Pre-Employment Training for Healthcare (PETH) and Health Careers Fair, which connected them with local healthcare professionals and introduced them to the wide range of health careers and underlying skills essential to success. In another Healthcare Pipeline activity, 12 interns completed the annual week-long Scrubs Camp, a summer healthcare immersion camp at Augsburg College organized by our partners at Healthforce Minnesota.

1. Nature of business and significant accounting policies:

Nature of business and major programs (continued):

STEP-UP Achieve Youth Employment Program (continued):

- **Financial Services:** 52 interns who were interested in financial services careers participated in our annual STEP-UP Achieve Financial Services Careers Day hosted by our pipeline partner, the Federal Reserve Bank of Minneapolis. Interns learned about the wide range of financial careers, heard a presentation by Federal Reserve COO Jim Lyon, practiced networking skills and participated in professional development sessions. 27 volunteers from some of our most dedicated Financial Services Pipeline partners participated in the event, including Piper Jaffray, TCF Bank, Thrivent Financial, U.S. Bank and Wells Fargo.
- **Outdoor/Environmental:** In a brand new initiative, six STEP-UP Achieve interns participated in the Outdoor Careers Academy, where they learned about Leave No Trace principles, first aid/CPR and career opportunities. Participants also earned an Outdoor Leadership credential.
- **Legal Services:** Ten interns who were interested in legal internships participated in the annual five-day Summer Legal Institute at the University of Minnesota Law School. Interns visited federal courts and law firms, met with judges and practitioners, engaged in mock trials and oral argument competitions, participated in professional skills and financial literacy workshops and learned about legal careers and education options.

Volunteer Programs:

In 2015-16, 783 community members donated 4,776 hours to MPS students through AchieveMpls volunteer opportunities. They mentored students as Graduation Coaches, inspired them with stories of their professional journeys at our career exploration events, served as STEP-UP mock interviewers and work readiness trainers, and offered workshops in financial literacy and career skills.

Graduation Coaches: Over 80 AchieveMpls Graduation Coaches provided personalized support to 137 MPS ninth and twelfth grade students, helping them to graduate on time, prioritize their academic goals and plan for life after high school. Students met with their Graduation Coach twice each month at their school. They benefitted from a positive relationship with an adult outside of the family, gained greater confidence and strengthened their study skills, relationship-building, career exploration and post-secondary planning. 93% of seniors worked with their Graduation Coach on a plan for their future. Ninth grade students who participated in the program also had on average a GPA that was .35 higher than similar students who did not participate.

Career Exploration Events: Our career events brought 250 volunteers into MPS high schools to share their career insights and advice with 4,302 students. Students learned about the highlights and challenges of a wide range of professional fields and how to begin preparing now for great careers –including some careers they'd never heard of before. 90% of students who participated in a career event said they learned about a new career, and 87% said they now have a better understanding of what people do in particular fields.

Other Volunteer Opportunities: In addition to these two volunteer programs, AchieveMpls also provides opportunities for hundreds of community members to volunteer at our annual 4-night STEP-UP mock interviews event. And through our STEP-UP Achieve youth employment program, employees from participating and partner companies volunteer with our interns as work readiness trainers, career exposure event leaders, and financial literacy and career skills facilitators.

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

Nature of business and major programs (continued):

Public Education Events:

AchieveMpls hosts several public events throughout the year to strengthen knowledge and support of public education and Minneapolis students. These include

- **EDTalks**, a lively series of happy hour events featuring compelling short talks on cutting-edge issues impacting education and our young people.
- **Education Partners Luncheon**, our largest annual event for 600+ business, education and civic leaders with keynotes by nationally-renowned educators, journalists, business and policy leaders.
- **Principal Partner Day**, which matches Twin Cities community leaders with MPS principals for a half-day of job shadowing, feedback and dialogue with other participants.
- **Achieve101**, which provides an exclusive glimpse into our Career & College Center programs and introduces new opportunities to support students.

Basis of presentation:

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

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

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

Permanently Restricted - Permanently restricted net assets consist of resources for which the use has been permanently restricted by donors. There were no permanently restricted net assets as of June 30, 2016 and 2015.

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, 2016 and 2015, 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.

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.

1. Nature of business and significant accounting policies (continued):**Contributions and pledges receivable:**

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

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

Property and equipment:

Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. There were no such donations in 2016 and 2015. 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% at June 30, 2015 of the net pledge 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.

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

Fair value measurements:

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

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. Management has evaluated the Organization's tax positions and determined that there are no positions which are considered uncertain.

Reclassifications:

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Subsequent events:

The Organization evaluated for subsequent events through November 8, 2016, the date the financial statements were available for issuance.

2. Investments:

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Beneficial interest in TMF investment pool	\$ 986,865	\$ 1,071,641
Certificates of deposit held in CDARS program	<u>403,795</u>	<u>402,582</u>
	<u>\$ 1,390,660</u>	<u>\$ 1,474,223</u>
Investment income was as follows:		
Interest and dividends, net of expenses	\$ 8,976	\$ 10,476
Unrealized (losses) gains	<u>(28,577)</u>	<u>3,741</u>
	<u>\$ (19,601)</u>	<u>\$ 14,217</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 \$1,140,478 and \$1,084,971 for June 30, 2016 and 2015, 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>2016</u>	<u>2015</u>
Cargill Foundation		\$ 1,140,000
Individuals and other	<u>\$ 175,495</u>	<u>113,171</u>
	175,495	1,253,171
Less discount of 5% to net present value total	<u>0</u>	<u>55,486</u>
	<u>\$ 175,495</u>	<u>\$ 1,197,685</u>

Gross pledges receivable are due as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	<u>\$ 69,495</u>	<u>\$ 1,253,171</u>
One to five years	<u>106,000</u>	
	<u>\$ 175,495</u>	<u>\$ 1,253,171</u>

All pledges are considered collectible.

5. Property and equipment:

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Tenant improvements	<u>\$ 23,346</u>	<u>\$ 26,093</u>
Equipment	<u>82,156</u>	<u>88,302</u>
Software	<u>61,243</u>	<u>55,481</u>
Website development	<u>45,910</u>	<u>35,911</u>
Furniture	<u>5,665</u>	
	<u>218,320</u>	<u>205,787</u>
Less accumulated depreciation	<u>160,960</u>	<u>134,862</u>
	<u>\$ 57,360</u>	<u>\$ 70,925</u>

Included in equipment at June 30, 2016 are cost and accumulated depreciation on a copier of \$22,177 and \$11,551, respectively. At June 30, 2015, the amounts were \$22,177 and \$6,066, respectively. The lease requires monthly payments of \$462 and expires May 2018.

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>
2017	\$ 27,804
2018	13,902

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, 2016, the Organization had the following purchase obligations:

<u>Year ending June 30</u>	<u>Amount</u>
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 \$32,784 and \$36,851 for the years ended June 30, 2016 and 2015, respectively.

8. Net assets:

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

	<u>2016</u>	<u>2015</u>
Scholarships, special awards and school funds	\$ 2,057,204	\$ 2,166,343
MPS Arts	121,283	156,669
AVID (Advancement via Individual Determination)	453,040	924,007
Collaborative for Education Excellence	165	28,266
STEM (Science, Technology, Engineering & Math)	617,452	1,192,495
MPS Other Strategic Initiatives	147,405	234,853
Career and College Initiative	570,625	937,866
STEP-UP student wages	304,025	286,077
General operating – Time restricted	<u>119,916</u>	<u>146,774</u>
	<u>\$ 4,391,115</u>	<u>\$ 6,073,350</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>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in TMF Investment Pool			\$ 986,865	\$ 986,865
	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in TMF Investment Pool			\$ 1,071,641	\$ 1,071,641

9. Fair value (continued):

The following table provides a summary of changes in fair value of the Organization’s Level 3 financial assets for the years ended June 30, 2016 and 2015:

	<u>Beneficial interest in TMF investment pool</u>
Balance, July 1, 2014	\$ 1,090,793
Investment losses	(6,152)
Withdrawals	<u>(13,000)</u>
Balance, June 30, 2015	1,071,641
Investment losses	(28,577)
Administrative fees	(10,199)
Withdrawals	<u>(46,000)</u>
Balance, June 30, 2016	<u><u>986,865</u></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.

MINNEAPOLIS PUBLIC SCHOOLS

STATEMENT OF EXPENSES, EXCLUDING MPS FLOW-THROUGH FUNDS

YEAR ENDED JUNE 30, 2016

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	Career & college initiative	Total program services	Management and communications	Fundraising	Total
Salaries	\$ 101,490	\$ 82,255	\$ 1,231,048	\$ 1,414,793	\$ 233,829	\$ 127,661	\$ 1,776,283
Employee benefits	10,033	13,148	105,604	128,785	34,775	12,593	176,153
Payroll taxes	8,591	6,674	102,229	117,494	19,780	10,501	147,775
Payroll and other fees	118	152	3,903	4,173	2,276	149	6,598
Total employee compensation	120,232	102,229	1,442,784	1,665,245	290,660	150,904	2,106,809
Staff:							
Development, training and conferences			4,499	4,499	6,265	616	11,380
Parking, mileage and travel	48	6	3,797	3,851	1,735	43	5,629
Rent	621	1,794	17,459	19,874	4,246	1,711	25,831
Telephone and internet	1,091	746	9,508	11,345	1,940	1,787	15,072
Equipment	625	1,918	18,892	21,435	19,147	9,491	50,073
Insurance					10,468		10,468
Licenses and fees			6,693	6,693	4,319	79	11,091
Printing, postage and office supplies	67	92	11,410	11,569	5,283	12,277	29,129
Gifts and grants					28		28
Program:							
Materials and supplies			872	872			872
Student wages							
Student transportation and activity fees			1,075	1,075			1,075
Meeting and other expenses			22,720	22,720	800		23,520
Consultants and professional fees			2,250	2,250	75,401	10,519	88,170
PR, outreach, networking and website	24		3,893	3,917	27,037	12,907	43,861
In-kind			5,172	5,172	1,184		6,356
Other			41	41	5,334		5,375
Overhead	12,313	10,765	157,847	180,925	(180,925)		
Pledges uncollected					9,478		9,478
	135,021	117,550	1,708,912	1,961,483	282,400	200,334	2,444,217
Depreciation	461	837	15,874	17,172	6,505	3,189	26,866
Total expenses	\$ 135,482	\$ 118,387	\$ 1,724,786	\$ 1,978,655	\$ 288,905	\$ 203,523	\$ 2,471,083

MINNEAPOLIS PUBLIC SCHOOLS
STATEMENT OF EXPENSES FLOW-THROUGH FUNDS
YEAR ENDED JUNE 30, 2016

ACHIEVE!MINNEAPOLIS

	Minneapolis Public Schools priorities	Scholarships, awards, school funds	SU wage subsidies	Total
Staff parking, mileage and travel	\$ 46	\$ 3		\$ 49
Licenses and fees	83			83
Printing, postage and office supplies	103			103
Gifts and grants	1,318,673	839,487		2,158,160
Program:				
Materials and supplies	10,270			10,270
Student wages			\$ 147,357	147,357
Student transportation and activity fees	3,151			3,151
Meeting and other expenses	75			75
Consultants and professional fees	128,623	77,827		206,450
PR, outreach, networking and website	182		90	272
Other	95	11,654		11,749
Total expenses	<u>\$ 1,461,301</u>	<u>\$ 928,971</u>	<u>\$ 147,447</u>	<u>\$ 2,537,719</u>