

Annual Financial Report

Twin Cities R!SE
Minneapolis, Minnesota

For the Years Ended
December 31, 2015 and 2014

TWIN CITIES RISE
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Twin Cities R!SE
Minneapolis, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of Twin Cities R!SE (the Organization), a Minnesota not-for-profit corporation, which comprise of the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities, 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 opinions 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 financial statement presentation.

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 the Organization as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 17, 2016

FINANCIAL STATEMENTS

TWIN CITIES RISE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 824,662	\$ 959,419
Investments	49,283	97,398
Pledges receivable (less allowance for doubtful accounts of \$1,000 in 2015 and 2014)	478,319	316,620
Pay for Performance receivable	207,400	237,800
Federal grants receivable	-	42,848
Other receivables (net)	41,256	13,441
Prepaid expenses	30,789	36,278
TOTAL CURRENT ASSETS	1,631,709	1,703,804
FURNITURE AND EQUIPMENT		
Leasehold improvements	488,220	-
Furniture and equipment	83,794	83,794
Computer equipment and software	296,234	294,515
TOTAL FURNITURE AND EQUIPMENT, COST LESS ACCUMULATED DEPRECIATION	868,248 (346,455)	378,309 (268,986)
TOTAL FURNITURE AND EQUIPMENT, NET	521,793	109,323
OTHER ASSETS		
Investments	129,892	78,802
Pledges receivable	-	50,000
Other assets	21,393	9,350
TOTAL OTHER ASSETS	151,285	138,152
TOTAL ASSETS	\$ 2,304,787	\$ 1,951,279
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 7,603	\$ 14,513
Accrued liabilities	78,538	132,045
Loans payable, current portion	106,510	-
TOTAL LIABILITIES	192,651	146,558
NON-CURRENT LIABILITIES		
Loans payable, non-current	366,238	-
TOTAL LIABILITIES	558,889	146,558
NET ASSETS		
UNRESTRICTED NET ASSETS		
Undesignated	319,724	512,625
Designated for working capital	962,160	959,000
TOTAL UNRESTRICTED NET ASSETS	1,281,884	1,471,625
TEMPORARILY RESTRICTED NET ASSETS		
TOTAL NET ASSETS	1,745,898	1,804,721
TOTAL LIABILITIES AND NET ASSETS	\$ 2,304,787	\$ 1,951,279

See Independent Auditor's Report and Notes to the Financial Statements.

TWIN CITIES RISE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		Total
	Unrestricted	Temporarily Restricted	
REVENUE AND OTHER SUPPORT			
PUBLIC SUPPORT			
Contributions	\$ 1,747,130	\$ 405,000	\$ 2,152,130
In-kind contributions	70,362	-	70,362
Special events revenues, net of direct expenses of \$43,421 and \$60,583 in 2015 and 2014, respectively	202,060	-	202,060
Net assets released from restrictions	274,082	(274,082)	-
TOTAL PUBLIC SUPPORT	<u>2,293,634</u>	<u>130,918</u>	<u>2,424,552</u>
PROGRAM RELATED REVENUE			
Placement and retention fees	381,500	-	381,500
Customer and business training	113,355	-	113,355
Contract services	40,017	-	40,017
TOTAL PROGRAM RELATED REVENUE	<u>534,872</u>	<u>-</u>	<u>534,872</u>
GOVERNMENT GRANTS	<u>485,613</u>	<u>-</u>	<u>485,613</u>
OTHER INCOME			
Interest and dividend income	5,702	-	5,702
Gain (loss) on sale of donated investments	2,028	-	2,028
Net depreciation in market value of investments	(4,207)	-	(4,207)
Miscellaneous	9,368	-	9,368
TOTAL OTHER INCOME	<u>12,891</u>	<u>-</u>	<u>12,891</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>3,327,010</u>	<u>130,918</u>	<u>3,457,928</u>
EXPENSES			
Program services - training	2,546,591	-	2,546,591
Supporting services			
Management and general	479,868	-	479,868
Fundraising	490,292	-	490,292
TOTAL EXPENSES	<u>3,516,751</u>	<u>-</u>	<u>3,516,751</u>
CHANGE IN NET ASSETS	(189,741)	130,918	(58,823)
NET ASSETS, JANUARY 1	<u>1,471,625</u>	<u>333,096</u>	<u>1,804,721</u>
NET ASSETS, DECEMBER 31	<u>\$ 1,281,884</u>	<u>\$ 464,014</u>	<u>\$ 1,745,898</u>

See Independent Auditor's Report and Notes to the Financial Statements.

TWIN CITIES RISE
STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2014		Total
	Unrestricted	Temporarily Restricted	
REVENUE AND OTHER SUPPORT			
PUBLIC SUPPORT			
Contributions	\$ 1,532,632	\$ 352,000	\$ 1,884,632
In-kind contributions	81,403	-	81,403
Special events revenues, net of direct expenses of \$43,421 and \$60,583 in 2015 and 2014, respectively	296,047	-	296,047
Net assets released from restrictions	650,967	(650,967)	-
TOTAL PUBLIC SUPPORT	<u>2,561,049</u>	<u>(298,967)</u>	<u>2,262,082</u>
PROGRAM RELATED REVENUE			
Placement and retention fees	384,600	-	384,600
Customer and business training	129,139	-	129,139
Contract services	39,686	-	39,686
TOTAL PROGRAM RELATED REVENUE	<u>553,425</u>	<u>-</u>	<u>553,425</u>
GOVERNMENT GRANTS	<u>601,680</u>	<u>-</u>	<u>601,680</u>
OTHER INCOME			
Interest and dividend income	5,629	-	5,629
Gain (loss) on sale of donated investments	(4,899)	-	(4,899)
Net depreciation in market value of investments	(3,346)	-	(3,346)
Miscellaneous	25,355	-	25,355
TOTAL OTHER INCOME	<u>22,739</u>	<u>-</u>	<u>22,739</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>3,738,893</u>	<u>(298,967)</u>	<u>3,439,926</u>
EXPENSES			
Program services - training	2,765,842	-	2,765,842
Supporting services			
Management and general	454,054	-	454,054
Fundraising	365,994	-	365,994
TOTAL EXPENSES	<u>3,585,890</u>	<u>-</u>	<u>3,585,890</u>
CHANGE IN NET ASSETS	153,003	(298,967)	(145,964)
NET ASSETS, JANUARY 1	<u>1,318,622</u>	<u>632,063</u>	<u>1,950,685</u>
NET ASSETS, DECEMBER 31	<u>\$ 1,471,625</u>	<u>\$ 333,096</u>	<u>\$ 1,804,721</u>

See Independent Auditor's Report and Notes to the Financial Statements.

TWIN CITIES RISE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			
	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Payroll and benefits	\$ 1,600,785	\$ 213,438	\$ 320,155	\$ 2,134,378
Occupancy costs	267,558	23,976	53,513	345,047
Participant training, support and assessment	206,545	-	-	206,545
Consultants	95,700	155,887	35,643	287,230
Professional fees	2,004	20,981	-	22,985
Supplies and equipment	64,349	8,580	12,871	85,800
Fundraising events	-	-	2,444	2,444
Subcontractors - government grants	32,301	-	-	32,301
Marketing	18,410	-	18,409	36,819
Administrative fees	13,419	1,789	1,770	16,978
Other	29,846	3,866	5,803	39,515
Moving costs	102,213	13,628	20,443	136,284
Travel	16,556	2,207	3,312	22,075
Recruitment	16,727	-	-	16,727
Telephone	18,832	2,511	3,766	25,109
Insurance	-	13,198	-	13,198
Interest expense	-	11,698	-	11,698
Staff development	3,113	415	621	4,149
TOTAL FUNCTIONAL EXPENSES				
PRIOR TO DEPRECIATION	2,488,358	472,174	478,750	3,439,282
Depreciation	58,233	7,694	11,542	77,469
TOTAL EXPENSES	\$ 2,546,591	\$ 479,868	\$ 490,292	\$ 3,516,751

	2014			
	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Payroll and benefits	\$ 1,799,283	\$ 276,812	\$ 230,677	\$ 2,306,772
Occupancy costs	305,687	47,029	39,191	391,907
Participant training, support and assessment	241,804	-	-	241,804
Consultants	85,040	64,837	40,911	190,788
Professional fees	-	23,332	-	23,332
Supplies and equipment	52,457	8,070	6,725	67,252
Fundraising events	-	-	6,876	6,876
Subcontractors - government grants	107,540	-	-	107,540
Marketing	13,689	-	27,097	40,786
Administrative fees	12,180	1,874	1,562	15,616
Other	23,659	3,521	2,934	30,114
Travel	31,772	2,381	428	34,581
Recruitment	17,908	-	-	17,908
Telephone	18,218	2,803	2,336	23,357
Insurance	-	14,687	-	14,687
Staff development	12,223	1,880	1,567	15,670
TOTAL FUNCTIONAL EXPENSES				
PRIOR TO DEPRECIATION	2,721,460	447,226	360,304	3,528,990
Depreciation	44,382	6,828	5,690	56,900
TOTAL EXPENSES	\$ 2,765,842	\$ 454,054	\$ 365,994	\$ 3,585,890

See Independent Auditor's Report and Notes to the Financial Statements.

TWIN CITIES RISE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (58,823)	\$ (145,964)
Adjustment to reconcile change in net assets to net cash used by operating activities		
Depreciation	77,469	56,900
Net depreciation in market value of investments	4,207	3,346
Realized loss on disposal of asset	536	-
Change in assets		
Pledges receivable, net	(111,699)	112,680
Pay for Performance receivable	30,400	(211,700)
Federal grants receivable	42,848	12,683
Other receivables	(27,815)	40,473
Prepaid expenses	5,489	(18,226)
Allowance for doubtful accounts	-	(13,087)
Other assets	(12,043)	-
Change in liabilities		
Accounts payable	(6,910)	(19,263)
Accrued liabilities	(53,507)	2,808
	<u>(109,848)</u>	<u>(179,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and leasehold improvements	(490,475)	(73,296)
Purchase of investments	(102,182)	(29,000)
Proceeds from sale of investments	95,000	25,041
	<u>(497,657)</u>	<u>(77,255)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(37,252)	-
Receipt of funds from notes payable	510,000	-
	<u>472,748</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(134,757)	(256,605)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>959,419</u>	<u>1,216,024</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 824,662</u>	<u>\$ 959,419</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	<u>\$ 11,698</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes to the Financial Statements.

TWIN CITIES R!SE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Twin Cities R!SE (the Organization), based in Minneapolis and Saint Paul, Minnesota, is an organization dedicated to providing employers with skilled workers - primarily men from communities of color - by training under - and unemployed adults for skilled jobs that pay a living wage. The Organization uses a market-driven approach to job preparation and long-term job retention that is financially sustainable, has a meaningful impact on concentrated poverty and can influence industry practices and government policy.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

C. Revenue Recognition

General

Unrestricted, single-year contributions are recognized as revenue in the year received or unconditionally pledged. In the event of a multi-year contribution, the Organization recognizes the first year as unrestricted with the remaining contribution allocated evenly over future years as temporarily restricted. These multi-year contributions are then released from temporarily restricted net assets based upon the passage of time provided no other restrictions exist.

All contributions are available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization's policy is to imply a time restriction on fixed assets purchased from restricted resources. Accordingly, net assets are released over time based on the amount of depreciation expense on such assets.

Grants

Revenues from cost reimbursement grant awards are recognized as costs are incurred. Grant expenditures in excess of the related grant monies drawn-down or received are recorded as grant funds receivable. Revenues from pay-for-performance grant awards are recognized as outcomes are realized.

Contributed services and materials

The Organization records various types of in-kind support, including professional services and materials.

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributions of tangible assets are recognized at fair market value when received. The amounts recorded as in-kind support are offset by either (1) like amounts included in expenses or (2) like amounts capitalized as fixed assets.

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

E. Investments

Investments are reported at fair value, which is based on quoted market prices. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end market values.

F. Pledges Receivable

Pledges are recorded at the amount management expects to collect from outstanding balances. Management provides for probably uncollected amounts through a charge to earnings and a credit to a valuation allowance. The valuation allocation is determined based on historical experience and management's analysis of specific balances. Pledges are recorded after being discounted to anticipated net present value of the future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. There are no conditional promises to give as of December 31, 2015 and 2014.

G. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements with an individual cost of \$1,000 and a useful life of more than three years are recorded at cost or, in the case of contributed property, at fair market value at date of contribution and depreciated over their useful lives. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in the change in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred.

H. Net Assets

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted* - Resources over which the Board of Directors has discretionary control, including amounts designated by Board action for specific purposes and undesignated amounts.
- *Temporarily Restricted with Respect to Time or Purpose* - Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.
- *Permanently Restricted* - Those resources subject to a donor-imposed restriction that they be maintained permanently. At December 31, 2015 and 2014, the Organization had no permanently restricted resources.

I. Functional Allocation of Expenses

The costs of providing programs and administration of the Organization have been summarized on a functional basis. Accordingly, certain costs have been allocated between program, management and general and fundraising.

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Use of Estimates

The 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. Accordingly, actual results could differ from those estimates.

Note 2: DEPOSITS AND INVESTMENTS

A. Deposits in Excess of Federal Deposit Insurance Corporation Limit

The Organization places its temporary cash investments with high credit quality financial institutions. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

B. Investments and Fair Value

Investments at December 31, 2015 consisted of certificates of deposit, with investment returns ranging from 1.15 percent to 5.10 percent, which are valued at fair value. The certificates of deposit at December 31, 2015 mature as follows: \$49,283 in 2016, \$28,888 in 2017, \$31,324 in 2018, \$33,841 in 2019, and \$35,839 in 2020. Investments at December 31, 2014 consisted of certificates of deposit, with investment returns ranging from 0.95 percent to 5.10 percent, which are valued at fair value. The certificates of deposit at December 31, 2014 mature as follows: \$97,398 in 2015, \$50,099 in 2016 and \$28,703 in 2017.

The Organization receives marketable securities contributions throughout the year. These securities are sold upon receipt with any resulting gains and losses included in the Statement of Activities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. All fair value determinations were determined using quoted market prices in active markets for identical assets (Level 1). During the year, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets or liabilities.

Note 3: RECEIVABLES

A. Pledges Receivable

Pledges receivable represent amounts committed by donors that have not been received by the Organization. Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5 percent.

Pledges receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 479,319	\$ 317,620
Two or more years	-	50,000
	<u>479,319</u>	<u>367,620</u>
Less: Allowance for uncollectible pledges	(1,000)	(1,000)
	<u>\$ 478,319</u>	<u>\$ 366,620</u>

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: RECEIVABLES - CONTINUED

B. Other Receivables

Other receivables primarily include pay-for-performance fees, contractual training fees, participant loans and participant contracts. Some of these receivables are considered to be uncollectible; accordingly, total allowances of approximately \$4,301 and \$4,300 for estimated doubtful accounts is provided for the years ended December 31, 2015 and 2014, respectively. This allowance reflects the Organization's historical experience with collecting these other receivables.

Note 4: LINE OF CREDIT

The Organization entered into a \$250,000 revolving line of credit with Sunrise Banks which matured February 28, 2016. The line of credit was extended on February 28, 2016, to continue until May 28, 2016, at which point the Organization is planning on further renewing the line of credit. The line of credit carries a variable interest rate of Prime, as published in the Wall Street Journal Midwest Edition, plus 1.5 percent with a floor rate dependent on compensating balances at a minimum of 3.50 percent. In addition, certain covenants must be met. During 2015 and 2014 no amounts were drawn against the line of credit.

Note 5: NOTES PAYABLE

On July 10, 2015, the Organization obtained a note payable from Sunrise Bank in the amount of \$306,000. This note bears interest at a rate of 4.50% per annum, and principal and interest are payable monthly in the amount of \$5,750. The note matures on July 10, 2020, and is secured by the business assets of the Organization.

On July 10, 2015, the Organization also obtained a note payable from the Nonprofits Assistance Fund in the amount of \$204,000. This note bears interest at a rate of 7.00% per annum, and principal and interest are payable monthly in the amount of \$4,040. The note matures on July 10, 2020, and is secured by the business assets of the Organization.

Future payments on the notes payable as of December 31, 2015 are as follows:

<u>Year</u>	<u>Sunrise Bank</u>	<u>Non-profit Assistance Fund</u>	<u>Total</u>
2016	\$ 69,972	\$ 36,538	\$ 106,510
2017	59,386	39,143	98,529
2018	62,309	41,932	104,241
2019	65,377	44,921	110,298
2020	<u>26,201</u>	<u>26,969</u>	<u>53,170</u>
Total	<u>\$ 283,245</u>	<u>\$ 189,503</u>	<u>\$ 472,748</u>

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 6: NET ASSETS

A. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Comprehensive Campaign	\$ 55,000	\$ -
Database Project	3,014	29,647
Empowerment Institute	100,000	-
Financial education	-	15,000
HOST Program	-	9,147
Housing assistance	-	5,000
Strategic plan	-	14,802
Time restriction	<u>306,000</u>	<u>259,500</u>
Total	<u>\$ 464,014</u>	<u>\$ 333,096</u>

B. Board Designated Net Assets

Board designated net assets consist of a working capital reserve. The Board has determined the working capital reserve should be maintained at \$962,160 in 2015 and \$959,000 in 2014.

Note 7: CONTRIBUTED SERVICES AND GOODS

The Organization has recognized revenue for the following contributed services with like amounts either included in expense or fixed assets.

	<u>2015</u>	<u>2014</u>
Time donated for human resources	\$ 1,000	\$ 1,000
Professional fees – legal	10,000	10,000
Participant support	<u>59,362</u>	<u>70,403</u>
Total	<u>\$ 70,362</u>	<u>\$ 81,403</u>

Donated time and materials have been allocated between program services, management and general and fundraising expenses. Professional fees have been classified as management and general expenses. Participant support consists of contributed materials provided to participants and are recorded as program services. In addition, many individuals have donated significant amounts of their time in organizational governance, program services and fundraising efforts. No amounts have been reflected in the statements for these donated hours as they do not meet the accounting principles criteria for recognition.

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 8: OPERATING LEASES

The Organization leases certain equipment and office space under operating lease agreements expiring at various dates through December 2025. In addition to base rental payments, certain office leases require the Organization to pay its proportionate share of real estate taxes, special assessment and maintenance costs. Rent expense under operating leases was approximately \$252,552 and \$275,700 for the years ended December 31, 2015 and 2014, respectively.

Approximate minimum future annual lease payments required under these leases at December 31, 2015 are as follows:

<u>Year</u>	
2016	\$ 147,778
2017	181,603
2018	205,330
2019	218,215
2020	228,334
Thereafter	<u>616,240</u>
Total	<u>\$ 1,597,500</u>

Note 9: INCOME TAX STATUS

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a non-private foundation and contributions to the Organization may qualify as a charitable tax deduction by the contributor.

Management has evaluated and determined that there are no uncertain tax positions as of December 31, 2015 and 2014. Tax returns for the past three years remain open for examination by tax jurisdictions.

Note 10: EMPLOYEE BENEFIT PLAN

The Organization sponsors a 403(b) retirement plan for all of its employees meeting minimum eligibility requirements. The Plan provides that the Organization may elect to match contributions up to a maximum percentage of the employee's contribution. The match percentage is determined annually and may change at any time. The Organization made matching contributions to the Plan during the years ended December 31, 2015 and 2014 of \$15,662 and \$0, respectively.

Note 11: CONTINGENCIES

The Organization is subject to various legal proceedings in the normal course of business. Management believes the outcome of these proceedings will not have a material adverse effect on the Organization's financial position or results of operations.

Note 12: RELATED PARTY TRANSACTIONS

The Organization received legal and banking services from organizations affiliated with certain Board members. A portion of the legal services provided to the Organization was donated and totaled approximately \$10,000 and \$10,000 for the years ended December 31, 2015 and 2014, respectively.

Note 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 17, 2016, which is the date the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of management's review substantially affect the amounts and disclosure of the accompanying financial statements.