Annual Financial Report

Twin Cities R!SE

Minneapolis, Minnesota

As of and For the Years Ended
September 30, 2018 and 2017

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Twin Cities R!SE
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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 September 30, 2018 and 2017 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 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 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 September 30, 2018 and 2017, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 4, 2019

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FINANCIAL STATEMENTS

Twin Cities R!SE
Statements of Financial Position
September 30, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash and cash equivalents	$ 1,153,357	$ 692,480
Cash and cash equivalents - empowerment campaign	1,660,888	850,252
Pledges receivable (less allowance for doubtful accounts of $0 and $1,000, respectively)	1,179,854	845,916
Pay for Performance receivable	187,000	44,000
Other receivables (less allowance for uncollectible accounts of $0 and $4,301, respectively)	284,145	41,184
Prepaid expenses	68,058	54,801
Total Current Assets	4,533,302	2,528,633
Furniture and Equipment		
Leasehold improvements	501,364	498,364
Furniture and equipment	83,794	83,794
Computer equipment and software	388,659	326,113
Total Furniture and Equipment, Cost	973,817	908,271
Less Accumulated Depreciation	(630,262)	(528,554)
Total Furniture and Equipment, Net	343,555	379,717
Other Assets		
Pledges receivable (net of discount of $88,081 and $142,071, respectively)	996,169	1,907,046
Other assets	12,043	21,393
Total Other Assets	1,008,212	1,928,439
Total Assets	$ 5,885,069	$ 4,836,789
Liabilities		
Current Liabilities		
Accounts payable	$ 55,692	$ 54,037
Accrued liabilities	156,005	154,378
Accrued rent, current	24,501	31,501
Deferred revenue	161,965	143,994
Total Current Liabilities	398,163	383,910
Non-current Liabilities		
Accrued rent, non-current	4,109	28,268
Total Liabilities	402,272	412,178
Net Assets		
Unrestricted	1,165,902	905,189
Temporarily restricted	4,316,895	3,519,422
Total Net Assets	5,482,797	4,424,611
Total Liabilities and Net Assets	$ 5,885,069	$ 4,836,789

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

Twin Cities R!SE

Statements of Activities

For the Years Ended September 30, 2018 and 2017

	2018	2017
Unrestricted Revenue and Other Support		
Public Support		
Contributions	$ 1,586,595	$ 1,465,200
In-kind contributions	31,403	31,551
Special events revenues, net of direct expenses of $60,846 and $54,202 for 2018 and 2017, respectively	356,995	279,148
Total Public Support	1,974,993	1,775,899
Program Related Revenue		
Placement and retention fees	621,350	896,200
Customer and business training	313,670	252,027
Contract services	107,770	89,441
Total Program Related Revenue	1,042,790	1,237,668
Government grants	4,408	34,962
Other income	15,548	(1,910)
Total Unrestricted Revenue and Other Support	3,037,739	3,046,619
Net Assets Released from Restrictions for Expenses		
Net assets released from restrictions - purpose/time met	260,562	251,768
Net assets released from restrictions - empowerment campaign	572,441	337,859
Total Net Assets Released from Restrictions for Expenses	833,003	589,627
Total Unrestricted Revenue and Other Support and Releases for Expenses	3,870,742	3,636,246
Expenses		
Program services - training	2,783,530	2,544,685
Supporting services		
Management and general	210,303	381,484
Fundraising	678,902	561,991
Total Expenses	3,672,735	3,488,160
Excess of Unrestricted Revenue and Other Support and Releases for Expenses Over Expenses	$ 198,007	$ 148,086
Unrestricted Net Assets		
Excess of unrestricted revenue and other support and releases for expenses over expenses	$ 198,007	$ 148,086
Net assets released from restrictions - purchases of leasehold improvements and equipment	62,706	-
Net assets released from restrictions - note payable payments	-	362,610
Increase in Unrestricted Net Assets	260,713	510,696
Temporarily Restricted Net Assets		
Public support contributions	1,693,182	2,553,677
Net assets released from restrictions	(895,709)	(952,237)
Increase in Temporarily Restricted Net Assets	797,473	1,601,440
Net Assets, Beginning	4,424,611	2,374,829
Prior Period Adjustment - Accrued Rent	-	(62,354)
Net Assets, Ending	$ 5,482,797	$ 4,424,611

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

Twin Cities R!SE
Statements of Functional Expenses
For the Years Ended September 30, 2018 and 2017

	2018			
	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Payroll and benefits	$ 1,838,885	$ 47,341	$ 442,150	$ 2,328,376
Occupancy costs	266,215	6,691	17,396	290,302
Participant training, support and assessment	238,481	-	-	238,481
Empowerment campaign	-	-	76,888	76,888
Consultants and professional fees	177,416	100,181	27,236	304,833
Supplies and equipment	50,766	3,659	11,723	66,148
Marketing	41,951	-	57,289	99,240
Other	20,909	18,988	13,400	53,297
Travel and meals	24,997	10,780	3,073	38,850
Recruitment	5,220	-	10,667	15,887
Telephone	25,115	1,281	3,827	30,223
Insurance	-	14,680	-	14,680
Staff development	9,743	1,590	1,962	13,295
Total Functional Expenses Prior to Depreciation	2,699,698	205,191	665,611	3,570,500
Depreciation	83,832	5,112	13,291	102,235
Total Expenses	$ 2,783,530	$ 210,303	$ 678,902	$ 3,672,735

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

Twin Cities R!SE

Statements of Functional Expenses (Continued)

For the Years Ended September 30, 2018 and 2017

	2017			
	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Payroll and benefits	$ 1,746,151	$ 232,820	$ 349,230	$ 2,328,201
Occupancy costs	229,773	30,637	45,952	306,362
Participant training, support and assessment	197,897	-	-	197,897
Empowerment campaign	-	-	78,000	78,000
Consultants and professional fees	78,758	60,899	30,347	170,004
Supplies and equipment	36,722	4,896	7,345	48,963
Subcontractors - government grants	40,213	-	-	40,213
Marketing	26,129	-	26,128	52,257
Administrative fees	8,196	1,093	1,639	10,928
Other	9,745	11,910	-	21,655
Travel and meals	22,415	2,989	4,482	29,886
Recruitment	54,347	-	-	54,347
Telephone	18,959	2,528	3,791	25,278
Insurance	-	15,530	-	15,530
Interest expense	-	8,132	-	8,132
Staff development	6,423	856	1,285	8,564
Total Functional Expenses Prior to Depreciation	2,475,728	372,290	548,199	3,396,217
Depreciation	68,957	9,194	13,792	91,943
Total Expenses	$ 2,544,685	$ 381,484	$ 561,991	$ 3,488,160

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

Twin Cities R!SE

Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 1,058,186	$ 2,112,136
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	102,235	91,943
Realized loss on disposal of asset	1,198	-
Change in assets		
Pledges receivable, net	576,939	(905,564)
Pay for performance receivable	(143,000)	159,600
Other receivables	(242,961)	(15,440)
Prepaid expenses	(13,257)	47,418
Other assets	9,350	-
Change in liabilities		
Accounts payable	1,655	32,507
Accrued liabilities	1,627	20,975
Accrued rent	(31,159)	(2,585)
Deferred revenue	17,971	(1,364)
Net Cash Provided by Operating Activities	1,338,784	1,539,626
Cash Flows from Investing Activities		
Purchase of furniture, equipment and leasehold improvements	(67,271)	(28,708)
Cash Flows from Financing Activities		
Payments on note payable	-	(389,598)
Change in Cash and Cash Equivalents	1,271,513	1,121,320
Cash and Cash Equivalents, October 1	1,542,732	421,412
Cash and Cash Equivalents, September 30	$ 2,814,245	$ 1,542,732
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for		
Interest	$ -	$ 8,132
Income Taxes	$ -	$ -
Supplemental Non-Cash Transactions		
Prior Period Adjustment - Deferred Rent	$ -	$ 62,354
Disposal of Fully Depreciated Assets	$ 1,725	$ -

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

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 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.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

E. Pledges Receivable

Pledges are recorded at the amount management expects to collect from outstanding balances. Prior to 2018, management provided for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance. The valuation allowance was 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 September 30, 2018 and 2017.

F. 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.

G. 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 September 30, 2018, the Organization had no permanently restricted resources.

H. Excess of Unrestricted Revenue and Other Support and Releases for Expenses Over Expenses

Excess of unrestricted revenue and other support and release for expenses over expenses does not include net assets released from restrictions used to make principal payments on the note payable.

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.

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 1: Summary of Significant Accounting Policies (Continued)

K. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09) as a new Topic, Accounting Standards Codification Topic 606. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015- 14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2017, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in fiscal year 2019. The Organization is currently evaluating the impact on the results of activities, financial position, and cash flows, and has not determined the impact on its financial statements at this time.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. This ASU is effective for annual reporting periods beginning after December 15, 2017, and shall be applied retrospectively. Early adoption is permitted. The new guidance is effective for the Organization in fiscal year 2019. The Organization is currently evaluating the impact on the results of activities, financial position, and cash flows, and has not determined the impact on its financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, Leases, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in fiscal year 2020. The Organization is currently evaluating the impact on the results of activities, financial position, and cash flows and has not determined the impact on its financial statements at this time.

Note 2: 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 3.5 percent.

Pledges receivable consist of the following:

	2018	2017
Amounts Due in:		
Less than one year	$ 1,179,854	$ 846,916
More than one year	1,084,250	2,049,117
Totals	2,264,104	2,896,033
Less: Allowance for uncollectible pledges	-	(1,000)
Less: Net present value discount	(88,081)	(142,071)
Total Pledge Receivables	$ 2,176,023	$ 2,752,962

B. Other Receivables

Other receivables primarily include contractual training fees, participant loans, and participant contracts. In 2017, some of these receivables were considered to be uncollectible; accordingly, an allowance for estimated doubtful accounts was provided for the year ended September 30, 2017. This allowance has been adjusted to $0 for the year ended September 30, 2018. This change reflects the Organization’s historical experience with collecting these other receivables.

Note 3: Line of Credit

The Organization renewed a $250,000 revolving line of credit with Sunrise Banks on August 28, 2018 which matures November 28, 2019, 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 5.00 percent. In addition, the line of credit includes certain annual covenants, which were met during the year ended September 30, 2018 and 2017. During 2018 and 2017 no amounts were drawn against the line of credit.

Note 4: Notes Payable

The following notes payable were paid in full with a transfer from temporarily restricted funds of $362,610 in January 2017:

On July 10, 2015, the Organization obtained a note payable from Sunrise Bank in the amount of $306,000. The note bore an interest at a rate of 4.50% per annum, and principal and interest were payable monthly in the amount of $5,750. The note was to mature on July 10, 2020, and was 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 bore an interest at a rate of 7.00% per annum, and principal and interest were payable monthly in the amount of $4,040. The note was to mature July 10, 2020, and was secured by the business assets of the Organization.

Note 5: Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2018 and 2017 consisted of the following:

	2018	2017
Empowerment Campaign	$ 3,837,112	$ 3,379,222
Time Restriction	479,783	140,200
Total	$ 4,316,895	$ 3,519,422

The Organization launched the Empowerment Campaign in the spring of 2016 to take its successful program and business model to change-making scale. The campaign goal is a minimum of $7 million. The three main focus areas of the campaign include build or purchase a building to accommodate future growth and reduce on-going expenses; invest in internship scholarships to enable more individuals to attend and complete the program; and to dramatically expand its successful Empowerment Institute to build capacity with other organizations so they can improve their own results.

Note 6: Contributed Services and Goods

The Organization has recognized $31,402 and $31,551 of revenue for contributed participant support in 2018 and 2017, respectively, with a like amount included as an expense.

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.

Note 7: 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. The expense is being recognized on a straight-line basis over the life of the lease, as a result accrued rent at September 30, 2018 and 2017 is $28,610 and $59,769, respectively. Rent expense under operating leases was approximately $269,808 and $234,353 for the years ended September 30, 2018 and 2017, respectively.

Approximate minimum future annual lease payments required under these leases at September 30, 2018 are as follows:

For the Year Ended September 30,	Amount
2019	$ 244,856
2020	257,696
2021	269,851
2022	266,604
2023	259,617
Thereafter	418,660
Total	$ 1,717,284

Note 8: 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 September 30, 2018. Tax returns for the past three years remain open for examination by tax jurisdictions.

Note 9: 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 of $34,608 and $34,776 for the years ended September 30, 2018 and 2017, respectively.

Note 10: 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 11: Subsequent Events

Subsequent events have been evaluated through March 4, 2019, which is the date the financial statements were available to be issued.