Annual Financial Report

Twin Cities R!SE

Minneapolis, Minnesota

As of and For the Years Ended
September 30, 2020 and 2019

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2020 and 2019 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, 2020 and 2019, 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
February 4, 2021

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FINANCIAL STATEMENTS

Twin Cities R!SE

Statements of Financial Position

September 30, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	$ 1,726,641	$ 705,131
Cash and cash equivalents - empowerment campaign	2,427,338	2,222,503
Certificate of deposits	-	750,053
Pledges receivable	991,688	959,973
Pay for Performance receivable	44,000	165,000
Other receivables	83,494	275,878
Prepaid expenses	109,849	97,050
Total Current Assets	5,383,010	5,175,588
Furniture and Equipment		
Leasehold improvements	708,839	501,364
Furniture and equipment	87,127	87,127
Computer equipment and software	228,141	325,890
Projects in progress	13,082	10,582
Total Furniture and Equipment, Cost	1,037,189	924,963
Less Accumulated Depreciation	(819,800)	(660,545)
Total Furniture and Equipment, Net	217,389	264,418
Intangible Assets		
Cloud computing implementation costs	264,824	136,738
Less accumulated amortization	(42,614)	-
Total Intangible Assets, Net	222,210	136,738
Non-current Assets		
Pledges receivable (net of discount of $59,149 and $30,798, respectively)	1,000,851	272,202
Other assets	12,043	12,043
Total Non-current Assets	1,012,894	284,245
Total Assets	$ 6,835,503	$ 5,860,989
Liabilities		
Current Liabilities		
Accounts payable	$ 57,674	$ 84,437
Accrued liabilities	212,860	170,271
Accrued rent, current	685	3,352
Deferred revenue	131,215	97,225
Total Current Liabilities	402,434	355,285
Non-current Liabilities		
Accrued rent, non-current	-	685
Total Liabilities	402,434	355,970
Net Assets		
Without donor restrictions	2,015,880	1,795,841
With donor restrictions	4,417,189	3,709,178
Total Net Assets	6,433,069	5,505,019
Total Liabilities and Net Assets	$ 6,835,503	$ 5,860,989

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

Twin Cities R!SE

Statements of Activities

For the Years Ended September 30, 2020 and 2019

	2020	2019
Revenue and Other Support Without Donor Restriction		
Public Support		
Contributions	$ 1,757,933	$ 1,851,322
In-kind contributions	4,244	14,436
Special events revenues, net of direct expenses of $70,509 and $70,988 for 2020 and 2019, respectively	279,663	244,348
Total Public Support	2,041,840	2,110,106
Program Related Revenue		
Placement and retention fees	447,000	660,000
Customer and business training	122,121	157,105
Contract services	119,688	277,540
Total Program Related Revenue	688,809	1,094,645
Government grants	704,471	70,759
Other income	33,839	21,976
Total Without Donor Restriction Revenue and Other Support	3,468,959	3,297,486
Net Assets Released from With Donor Restrictions for Expenses		
Net assets released from restrictions - purpose/time met	481,500	514,783
Net assets released from restrictions - empowerment campaign	508,508	571,405
Total Net Assets Released from Restrictions for Expenses	990,008	1,086,188
Total Without Donor Restriction Revenue and Other Support and Releases for Expenses	4,458,967	4,383,674
Expenses		
Program services - training	3,307,416	3,026,130
Supporting services		
Management and general	548,995	346,824
Fundraising	519,077	532,085
Total Expenses	4,375,488	3,905,039
Excess of Without Donor Restriction Revenue and Other Support and Releases for Expenses Over Expenses	$ 83,479	$ 478,635
Net Assets Without Donor Restrictions		
Excess of without donor restriction revenue and other support and releases for expenses over expenses	$ 83,479	$ 478,635
Net assets released from donor restrictions - purchases of furniture and equipment	136,560	151,304
Increase in Net Assets Without Donor Restrictions	220,039	629,939
Net Assets With Donor Restrictions		
Public support contributions	1,834,579	1,205,312
Interest and dividend income	-	24,463
Net assets released from donor restrictions	(1,126,568)	(1,237,492)
Increase (Decrease) in Net Assets With Donor Restrictions	708,011	(7,717)
Net Assets, Beginning	5,505,019	5,482,797
Prior Period Adjustment (See Note 1)	-	(600,000)
Net Assets, Ending	$ 6,433,069	$ 5,505,019

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, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Payroll and benefits	$ 2,190,879	$ 296,807	$ 353,497	$ 2,841,183
Occupancy costs	192,092	21,577	27,883	241,552
Participant training, support and assessment	288,637	166	-	288,803
Consultants and professional fees	194,734	147,348	25,421	367,503
Supplies and equipment	71,186	13,971	11,800	96,957
Marketing	31,227	164	24,727	56,118
Miscellaneous	7,896	33,901	11,570	53,367
Travel and meals	14,926	3,151	1,859	19,936
Recruitment	3,801	2,073	11,974	17,848
Telephone and internet	18,620	2,234	2,910	23,764
Insurance	8,604	5,192	1,316	15,112
Staff development	9,581	2,023	1,947	13,551
Total Functional Expenses Prior to Depreciation and Amortization	3,032,183	528,607	474,904	4,035,694
Depreciation and amortization	275,233	20,388	44,173	339,794
Total Expenses	$ 3,307,416	$ 548,995	$ 519,077	$ 4,375,488

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Expenses				
Payroll and benefits	$ 2,004,570	$ 244,204	$ 360,371	$ 2,609,145
Occupancy costs	271,402	9,793	20,341	301,536
Participant training, support and assessment	279,696	-	100	279,796
Consultants and professional fees	207,968	39,147	69,646	316,761
Supplies and equipment	60,371	7,972	13,497	81,840
Marketing	24,684	15	36,415	61,114
Net assets released from donor restrictions	12,296	12,134	5,365	29,795
Travel and meals	27,255	6,167	2,711	36,133
Recruitment	6,318	-	6,165	12,483
Telephone and internet	27,795	2,289	2,878	32,962
Insurance	-	14,982	-	14,982
Staff development	18,575	4,926	1,089	24,590
Total Functional Expenses Prior to Depreciation	2,940,930	341,629	518,578	3,801,137
Depreciation	85,200	5,195	13,507	103,902
Total Expenses	$ 3,026,130	$ 346,824	$ 532,085	$ 3,905,039

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 928,050	$ 622,222
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	339,794	103,902
Net appreciation in market value of certificate of deposits	-	(53)
Realized (gain) loss on disposal of asset	-	(60)
Change in assets		
Pledges receivable, net	(760,364)	343,848
Pay for Performance receivable	121,000	22,000
Other receivables	192,384	8,267
Prepaid expenses	(12,799)	(28,992)
Other assets	-	-
Change in liabilities		
Accounts payable	(26,763)	28,745
Accrued liabilities	42,589	14,266
Accrued rent	(3,352)	(24,573)
Deferred revenue	33,990	(64,740)
Net Cash Provided by Operating Activities	854,529	1,024,832
Cash Flows from Investing Activities		
Purchase of furniture, equipment and leasehold improvements	(250,151)	(24,765)
Proceeds from sale of equipment	-	60
Capitalized cloud computing implementation costs	(128,086)	(136,738)
Purchase of investments	-	(750,000)
Proceeds from redemption of investments	750,053	-
Net Cash Provided (Used) by Investing Activities	371,816	(911,443)
Change in Cash and Cash Equivalents	1,226,345	113,389
Cash and Cash Equivalents, Beginning	2,927,634	2,814,245
Cash and Cash Equivalents, Ending	$ 4,153,979	$ 2,927,634
Supplemental Non-Cash Transactions		
Disposal of fully depreciated assets	$ 137,925	$ 73,619

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. Classification of Net Assets

The Organization follows standards for external financial reporting by not-for-profit organizations and that require resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

Net Assets Without Donor Restrictions (Unrestricted) - Resources over which the Board of Directors has discretionary control, including amounts designated by Board action for specific purposes and undesignated amounts.

Net Assets With Donor Restrictions (Restricted) - Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time. These resources can also be subject to a donor-imposed restriction that require them to be maintained permanently. At September 30, 2020 and September 30, 2019, the Organization had no permanently restricted resources.

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. Certificate of Deposits

Certificate of deposits represents those deposits with a maturity date ranging from four to twelve months. Those certificates of deposits with a maturity of three months or less are included with cash and cash equivalents.

F. Pledges Receivable

Pledges are recorded at the amount management expects to collect from outstanding balances. 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, 2020 and 2019.

Note 1: Summary of Significant Accounting Policies (Continued)

G. Software Implementation Costs

During the year ended September 30, 2020, the organization incurred costs for software development. Cost related to the development and implementation have been capitalized and the cost will be amortized over future periods over estimated useful lives of three to five years As of September 30, 2020 and September 30, 2019, total capitalized costs related to the implementation were $264,824 and $136,738, respectively. Due to not meeting the capitalization requirements under the accounting standard, certain expenses were recognized during the fiscal year ended September 30, 2020 and September 30, 2019 related to data migration in connection with the implementation.

H. 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.

I. 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 restricted. These multi-year contributions are then released from 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

J. Excess (Deficiency) 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 pay for costs capitalized in association with leasehold improvements, equipment, and cloud computing software implementation.

Note 1: Summary of Significant Accounting Policies (Continued)

K. 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.

L. 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.

M. Adoption of Revenue Recognition Accounting Standard

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

N. New Accounting Pronouncements

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, 2020, 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 for the year ended September 30, 2022. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

O. Prior Period Adjustment

A pledge receivable that had been recognized in a prior fiscal year was identified as having not met the conditions related to the recognition of the restricted revenue. As a result, the opening balance of net assets with donor restrictions and pledges receivable were reduced by $600,000.

P. Subsequent Events

Subsequent events have been evaluated through February 4, 2021, which is the date the financial statements were available to be issued.

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:

	2020	2019
Amounts Due in:		
Less than one year	$ 991,688	$ 959,973
More than one year	1,060,000	303,000
Totals	2,051,688	1,262,973
Less: Net present value discount	(59,149)	(30,798)
Total Pledge Receivables	$ 1,992,539	$ 1,232,175

B. Other Receivables

Other receivables primarily include contractual training fees and grants. The Organization uses historical experience with collecting these other receivables for determining an allowance for doubtful accounts. Allowance for doubtful accounts had a balance of $0 for the years ended September 30, 2020 and 2019.

Note 3: Line of Credit

The Organization has a $250,000 revolving line of credit with Sunrise Banks which matures on February 28, 2021. 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, 2020 and 2019. During the 2020 and 2019 fiscal years, no amounts were drawn against the line of credit.

Note 4: Net Assets With Donor Restrictions

Temporarily restricted net assets at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Empowerment Campaign	$ 2,661,342	$ 3,431,178
Time Restriction	1,755,847	278,000
Total	$ 4,417,189	$ 3,709,178

The Organization launched the Empowerment Campaign in the spring of 2016 to take its successful program and business model to change-making scale. 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 5: Contributed Services and Goods

The Organization has recognized $4,244 and $14,436 of revenue for contributed participant support in 2020 and 2019, 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 6: Operating Leases

The Organization leases certain equipment and office space under operating lease agreements expiring at various dates through June 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, 2020 and 2019 is $685 and $4,037, respectively. Rent expense under operating leases was approximately $222,410 and $283,973 for the years ended September 30, 2020 and 2019, respectively.

Approximate minimum future annual lease payments required under these leases at September 30, 2020 are as follows:

For the Year Ended September 30,	Amount
2021	$ 272,444
2022	180,241
2023	91,664
2024	7,308
2025	7,308
Thereafter	5,481
Total	$ 564,446

Note 7: 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, 2020. Tax returns for the past three years remain open for examination by tax jurisdictions.

Note 8: 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 $45,516 and $41,240 for the years ended September 30, 2020 and 2019, respectively.

Note 9: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the worlds during 2020 has caused significant volatility in U. S. and international markets. There is significant uncertainty around the breath and duration of business disruptions related to COVID-19, as well as its impact on the U. S. and international economies and, as such the Organization is unable to determine if it will have a material impact to its operations. In response, the Organization created an online Learning Management System to deliver its training services through a virtual classroom replacing in person training services. The Minnesota Department of Employment and Economic Development along with other donors provided funding to ensure the Organization could provide participants with the needed technology to participate. Additionally, the Organization was awarded a Paycheck Protection Plan (PPP) loan from the SBA of $500,500. In accordance with AICPA guidance, the Organization recognized the entire loan amount as a governmental grant and has applied for and expects to receive 100% forgiveness. The PPP funds in addition to increased philanthropic revenue offset a decrease in earned income resulting from the disruption of in person training.

Note 10: Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet, comprise of the following:

	2020	2019
Cash and Cash Equivalents	$ 4,153,979	$ 2,927,634
Certificate of Deposits	-	750,053
Pledges Receivable, Net	1,992,539	1,232,175
Pay for Performance Receivable	44,000	165,000
Other Receivables	83,494	275,878
Total Financial Assets	6,274,012	5,350,740
Less: amounts unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions	(3,776,189)	(4,090,178)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,497,823	$ 1,260,562

As part of our liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of monthly requirements in savings, money market funds and a tiered certificate of deposit structure which provides the organization with the flexibility to match liquidity needs as they arise.

The Organization’s Finance Committee and executive management continuously monitor the liquidity of the Organization. Executive management routinely monitors cash reserves which fund operations and program services and transfers funds between investment instruments to ensure availability.