Annual Financial Report

Twin Cities R!SE

Minneapolis, Minnesota

As of and For the Years Ended
September 30, 2019 and 2018

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

Twin Cities R!SE

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For the Years Ended September 30, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018, 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 7, 2020

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FINANCIAL STATEMENTS

Twin Cities R!SE

Statements of Financial Position

September 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	$ 705,131	$ 1,153,357
Cash and cash equivalents - empowerment campaign	2,222,503	1,660,888
Certificate of deposits	750,053	-
Pledges receivable	1,559,973	1,179,854
Pay for Performance receivable	165,000	187,000
Other receivables	275,878	284,145
Prepaid expenses	97,050	68,058
Total Current Assets	5,775,588	4,533,302
Furniture and Equipment		
Leasehold improvements	501,364	501,364
Furniture and equipment	87,127	83,794
Computer equipment and software	325,890	388,659
Projects in progress	10,582	-
Total Furniture and Equipment, Cost	924,963	973,817
Less Accumulated Depreciation	(660,545)	(630,262)
Total Furniture and Equipment, Net	264,418	343,555
Non-current Assets		
Pledges receivable (net of discount of $30,798 and $88,081, respectively)	272,202	996,169
Cloud computing implementation costs	136,738	-
Other assets	12,043	12,043
Total Non-current Assets	420,983	1,008,212
Total Assets	$ 6,460,989	$ 5,885,069
Liabilities		
Current Liabilities		
Accounts payable	$ 84,437	$ 55,692
Accrued liabilities	170,271	156,005
Accrued rent, current	3,352	24,501
Deferred revenue	97,225	161,965
Total Current Liabilities	355,285	398,163
Non-current Liabilities		
Accrued rent, non-current	685	4,109
Total Liabilities	355,970	402,272
Net Assets		
Without donor restrictions	1,795,841	1,165,902
With donor restrictions	4,309,178	4,316,895
Total Net Assets	6,105,019	5,482,797
Total Liabilities and Net Assets	$ 6,460,989	$ 5,885,069

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

Twin Cities R!SE

Statements of Activities

For the Years Ended September 30, 2019 and 2018

	2019	2018
Revenue and Other Support Without Donor Restriction		
Public Support		
Contributions	$ 1,851,322	$ 1,586,595
In-kind contributions	14,436	31,403
Special events revenues, net of direct expenses		
of $70,988 and $60,846 for 2019 and 2018, respectively	244,348	356,995
Total Public Support	2,110,106	1,974,993
Program Related Revenue		
Placement and retention fees	660,000	621,350
Customer and business training	157,105	122,439
Contract services	277,540	299,001
Total Program Related Revenue	1,094,645	1,042,790
Government grants	70,759	4,408
Other income	21,976	15,548
Total Without Donor Restriction Revenue and Other Support	3,297,486	3,037,739
Net Assets Released from With Donor Restrictions for Expenses		
Net assets released from restrictions - purpose/time met	514,783	260,562
Net assets released from restrictions - empowerment campaign	571,405	572,441
Total Net Assets Released from Restrictions for Expenses	1,086,188	833,003
Total Without Donor Restriction Revenue and Other Support and Releases for Expenses	4,383,674	3,870,742
Expenses		
Program services - training	3,026,130	2,783,530
Supporting services		
Management and general	346,824	210,303
Fundraising	532,085	678,902
Total Expenses	3,905,039	3,672,735
Excess of Without Donor Restriction Revenue and Other Support and		
Releases for Expenses Over Expenses	$ 478,635	$ 198,007
Net Assets Without Donor Restrictions		
Excess of Without Donor Restriction Revenue and Other Support and		
releases for expenses over expenses	$ 478,635	$ 198,007
Net assets released from donor restrictions - purchases of leasehold improvements and equipment	151,304	62,706
Increase in Net Assets Without Donor Restrictions	629,939	260,713
Net Assets With Donor Restrictions		
Public support contributions	1,205,312	1,693,182
Interest and dividend income	24,463	-
Net assets released from donor restrictions	(1,237,492)	(895,709)
(Decrease) Increase in Net Assets With Donor Restrictions	(7,717)	797,473
Net Assets, Beginning	5,482,797	4,424,611
Net Assets, Ending	$ 6,105,019	$ 5,482,797

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, 2019 and 2018

	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
Miscellaneous	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

	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
Miscellaneous	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 and internet	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 Cash Flows

For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 622,222	$ 1,058,186
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	103,902	102,235
Net appreciation in market value of certificate of deposits	(53)	-
Realized (gain) loss on disposal of asset	(60)	1,198
Change in assets		
Pledges receivable, net	343,848	576,939
Pay for performance receivable	22,000	(143,000)
Other receivables	8,267	(242,961)
Prepaid expenses	(28,992)	(13,257)
Other assets	-	9,350
Change in liabilities		
Accounts payable	28,745	1,655
Accrued liabilities	14,266	1,627
Accrued rent	(24,573)	(31,159)
Deferred revenue	(64,740)	17,971
Net Cash Provided by Operating Activities	1,024,832	1,338,784
Cash Flows from Investing Activities		
Purchase of furniture, equipment and leasehold improvements	(24,765)	(67,271)
Proceeds from sale of equipment	60	-
Capitalized cloud computing implementation costs	(136,738)	-
Purchase of investments	(750,000)	-
Net Cash Provided by Investing Activities	(911,443)	(67,271)
Change in Cash and Cash Equivalents	113,389	1,271,513
Cash and Cash Equivalents, Beginning	2,814,245	1,542,732
Cash and Cash Equivalents, Ending	$ 2,927,634	$ 2,814,245
Supplemental Non-Cash Transactions		
Disposal of fully depreciated assets	$ 73,619	$ 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. For the year ended September 30, 2019, the Organization early adopted ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which updated the treatment of implantation and development costs associated with hosting agreements for internal-use software. This update allows the Organization to capitalize the development and implementation of internal use software hosted by a third party.

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. For the year ended September 30, 2019, the Organization adopted 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 has been retroactively applied to the year ended September 30, 2018. 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, 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, 2019 and 2018.

Note 1: Summary of Significant Accounting Policies (Continued)

G. Software Implementation Costs

During the year ended September 30, 2019, 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 the life of the asset once placed in service. As of September 30, 2019, total capitalized costs related to the implementation were $136,738. Due to not meeting the capitalization requirements under the accounting standard, $24,413 of expenses were recognized during the fiscal year ended 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 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), 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.

J. 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 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. Subsequent Events

Subsequent events have been evaluated through February 7, 2020, which is the date the financial statements were available to be issued. See Note 6 in regards to the termination of a lease for office space in St. Paul, MN. Additionally, the line of credit maintained by the Organization was renewed subsequent to year-end. Further details regarding the line of credit are included in Note 3.

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:

	2019	2018
Amounts Due in:		
Less than one year	$ 1,559,973	$ 1,179,854
More than one year	303,000	1,084,250
Totals	1,862,973	2,264,104
Less: Net present value discount	(30,798)	(88,081)
Total Pledge Receivables	$ 1,832,175	$ 2,176,023

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, 2019 and 2018.

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, subsequent to year-end, the Organization renewed it through February 28, 2021 under the same terms as the original agreement. 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, 2019 and 2018. During the 2019 and 2018 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, 2019 and 2018 consisted of the following:

	2019	2018
Empowerment Campaign	$ 4,031,178	$ 3,837,112
Time Restriction	278,000	479,783
Total	$ 4,309,178	$ 4,316,895

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 $14,436 and $31,402 of revenue for contributed participant support in 2019 and 2018, 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 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, 2019 and 2018 is $4,037 and $28,610, respectively. Rent expense under operating leases was approximately $283,973 and $269,808 for the years ended September 30, 2019 and 2018, respectively. In December 2019, the Organization terminated a lease for office space in St. Paul, MN effective December 31, 2020 and paid an early termination fee of $233,410 on December 13, 2019, which was not recognized in fiscal year 2019 as the decision was made subsequent to year-end.

Approximate minimum future annual lease payments required under these leases, before and after the effects of the termination of the St. Paul location, at September 30, 2019 are as follows:

For the Year Ended September 30,	Pre-St. Paul Termination	Change	Post-St. Paul Termination
2020	$ 270,617	$ (140,748)	$ 129,869
2021	266,623	(124,578)	142,045
2022	210,304	(125,948)	84,356
2023	127,316	(127,316)	-
2024	128,687	(128,687)	-
Thereafter	162,656	(162,656)	-
Total	$ 1,166,203	$ (809,933)	$ 356,270

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, 2019. 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 $41,240 and $34,608 for the years ended September 30, 2019 and 2018, respectively.

Note 9: Liquidity and Availability

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:

Cash and Cash Equivalents	$ 2,927,634
Certificate of Deposits	750,053
Pledges Receivable, Net	1,832,175
Pay For Performance Receivable	165,000
Other Receivables	275,878
Total Financial Assets	5,950,740
Less: amounts unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	(4,090,178)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,860,562

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.