

Annual Financial Report

Twin Cities R!SE
Minneapolis, Minnesota

For the Nine Month Period Ended
September 30, 2016

TWIN CITIES RISE
TABLE OF CONTENTS
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to the Financial Statements	9



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 statement of financial position as of September 30, 2016 and the related statements of activities, functional expenses and cash flows for the nine month period 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 audit. We conducted our audit 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, 2016, and the changes in its net assets and its cash flows for the nine month period then ended in conformity with accounting principles generally accepted in the United States of America.


ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
January 30, 2017

FINANCIAL STATEMENTS

TWIN CITIES RISE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	421,412
Pledges receivable (less allowance for doubtful accounts of \$1,000)		741,590
Pay for Performance receivable		203,600
Other receivables (net)		25,744
Prepaid expenses		102,219

TOTAL CURRENT ASSETS		1,494,565
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FURNITURE AND EQUIPMENT

Leasehold improvements		497,364
Furniture and equipment		83,794
Computer equipment and software		298,405

TOTAL FURNITURE AND EQUIPMENT, COST		879,563
LESS ACCUMULATED DEPRECIATION		(436,611)

TOTAL FURNITURE AND EQUIPMENT, NET		442,952
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OTHER ASSETS

Pledges receivable, net		1,105,808
Other assets		21,393

TOTAL OTHER ASSETS		1,127,201
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TOTAL ASSETS		\$ 3,064,718
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	21,530
Accrued liabilities		133,403
Deferred revenue		145,358
Loans payable, current portion		97,153

TOTAL CURRENT LIABILITIES		397,444
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NON-CURRENT LIABILITIES

Loans payable, non-current		292,445
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TOTAL LIABILITIES		689,889
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NET ASSETS

Unrestricted		456,847
Temporarily restricted		1,917,982

TOTAL NET ASSETS		2,374,829
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TOTAL LIABILITIES AND NET ASSETS		\$ 3,064,718
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TWIN CITIES RISE
STATEMENT OF ACTIVITIES
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
PUBLIC SUPPORT			
Contributions	\$ 615,641	\$ 2,020,482	\$ 2,636,123
In-kind contributions	44,068	-	44,068
Net assets released from restrictions	566,514	(566,514)	-
TOTAL PUBLIC SUPPORT	<u>1,226,223</u>	<u>1,453,968</u>	<u>2,680,191</u>
PROGRAM RELATED REVENUE			
Placement and retention fees	248,000	-	248,000
Customer and business training	93,995	-	93,995
Contract services	33,454	-	33,454
TOTAL PROGRAM RELATED REVENUE	<u>375,449</u>	<u>-</u>	<u>375,449</u>
GOVERNMENT GRANTS	<u>37,265</u>	<u>-</u>	<u>37,265</u>
OTHER INCOME			
Interest and dividend income	2,409	-	2,409
Gain on sale of donated investments	338	-	338
Net appreciation in market value of investments	536	-	536
Miscellaneous	5,308	-	5,308
TOTAL OTHER INCOME	<u>8,591</u>	<u>-</u>	<u>8,591</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,647,528</u>	<u>1,453,968</u>	<u>3,101,496</u>
EXPENSES			
Program services - training	1,773,391	-	1,773,391
Supporting services			
Management and general	290,149	-	290,149
Fundraising	409,025	-	409,025
TOTAL EXPENSES	<u>2,472,565</u>	<u>-</u>	<u>2,472,565</u>
CHANGE IN NET ASSETS	(825,037)	1,453,968	628,931
NET ASSETS, JANUARY 1	<u>1,281,884</u>	<u>464,014</u>	<u>1,745,898</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 456,847</u>	<u>\$ 1,917,982</u>	<u>\$ 2,374,829</u>

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

TWIN CITIES RISE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
EXPENSES				
Payroll and benefits	\$ 1,227,996	\$ 163,733	\$ 245,599	\$ 1,637,328
Occupancy costs	158,093	21,079	31,619	210,791
Participant training, support and assessment	130,253	-	-	130,253
Consultants	57,443	13,467	81,053	151,963
Professional fees	-	32,675	-	32,675
Supplies and equipment	31,848	4,246	5,524	41,618
Fundraising events	-	-	530	530
Subcontractors - government grants	16,633	-	-	16,633
Marketing	22,783	-	22,783	45,566
Administrative fees	6,421	856	1,284	8,561
Other	7,443	9,012	-	16,455
Moving costs	10,820	1,443	2,164	14,427
Travel	9,621	1,283	1,924	12,828
Recruitment	11,313	-	-	11,313
Telephone	12,787	1,705	2,557	17,049
Insurance	-	12,955	-	12,955
Interest expense	-	18,370	-	18,370
Staff development	2,321	309	465	3,095
TOTAL FUNCTIONAL EXPENSES PRIOR TO DEPRECIATION	<u>1,705,775</u>	<u>281,133</u>	<u>395,502</u>	<u>2,382,410</u>
Depreciation	<u>67,616</u>	<u>9,016</u>	<u>13,523</u>	<u>90,155</u>
TOTAL EXPENSES	<u>\$ 1,773,391</u>	<u>\$ 290,149</u>	<u>\$ 409,025</u>	<u>\$ 2,472,565</u>

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

TWIN CITIES RISE
STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 628,931
Adjustment to reconcile change in net assets to net cash used by operating activities	
Depreciation	90,155
Net depreciation in market value of investments	
Realized loss on disposal of asset	
Change in assets	
Pledges receivable, net	(1,369,079)
Pay for Performance receivable	3,800
Other receivables	15,512
Prepaid expenses	(71,429)
Change in liabilities	
Accounts payable	13,927
Accrued liabilities	54,865
Deferred Revenue	<u>145,358</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(487,960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture, equipment and leasehold improvements	(11,315)
Redemption of investments	<u>179,175</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>167,860</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	<u>(83,150)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 (403,250)
 CASH AND CASH EQUIVALENTS, DECEMBER 31	 <u>824,662</u>
 CASH AND CASH EQUIVALENTS, SEPTEMBER 30	 <u>\$ 421,412</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for	
Interest	<u>\$ 18,370</u>
 Income taxes	 <u>\$ -</u>

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

TWIN CITIES R!SE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

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.

In 2016, the Organization changed its fiscal year-end from December 31st to September 30th, effective for fiscal 2016. As a result of this change, our fiscal year 2016 is a nine-month transition period beginning January 1, 2016 through September 30, 2016. Changing our fiscal year-end will allow the Organization to receive the bulk of its funding in the first fiscal quarter, and thus more effectively manage revenue and expenses.

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
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

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. Pledges Receivable

Pledges are recorded at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance. The valuation allowance 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 September 30, 2016.

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, 2016, the Organization had no permanently restricted resources.

H. 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
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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: 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:

Amounts due in:	
Less than one year	\$ 748,659
More than one year	<u>1,210,383</u>
Totals	1,959,042
Less: Allowance for uncollectible pledges	(1,000)
Less: net present value discount	<u>(110,644)</u>
Total pledge receivables	<u><u>\$ 1,847,398</u></u>

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 for estimated doubtful accounts is provided for the nine months ended September 30, 2016. This allowance reflects the Organization's historical experience with collecting these other receivables.

Note 3: 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 to continue until May 28, 2016 and then extended until May 28, 2017, 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, the line of credit includes certain annual covenants, which were met during the nine month period ended September 30, 2016. During 2016 no amounts were drawn against the line of credit.

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

Note 4: 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 September 30, 2016 are as follows:

For the year ended September 30,	Sunrise Bank	Nonprofits Assistance Fund	Total
2017	\$ 58,678	\$ 38,475	\$ 97,153
2018	61,567	41,216	102,783
2019	64,599	44,154	108,753
2020	42,418	38,491	80,909
Total	<u>\$ 227,262</u>	<u>\$ 162,336</u>	<u>\$ 389,598</u>

Subsequent to the Organization's year-end, the Notes Payable were paid in full.

Note 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2016 consisted of the following:

Empowerment Campaign	\$ 1,713,756
Empowerment Institute	25,000
Time restriction	<u>179,226</u>
Total	<u>\$ 1,917,982</u>

TWIN CITIES RISE
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE NINE MONTH
 PERIOD ENDED SEPTEMBER 30, 2016

Note 6: CONTRIBUTED SERVICES AND GOODS

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

Professional fees - legal		\$	10,000
Participant support			<u>34,068</u>
 Total			 <u><u>\$ 44,068</u></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.

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. Rent expense under operating leases was approximately \$149,910 for the nine months ended September 30, 2016, respectively.

Approximate minimum future annual lease payments required under these leases at September 30, 2016 are as follows:

For the year ended <u>September 30,</u>			
2017		\$	216,282
2018			244,856
2019			257,696
2020			269,851
2021			266,604
Thereafter			<u>678,278</u>
 Total			 <u><u>\$ 1,933,567</u></u>

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, 2016. Tax returns for the past three years remain open for examination by tax jurisdictions.

TWIN CITIES RISE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTH
PERIOD ENDED SEPTEMBER 30, 2016

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 during the nine months ended September 30, 2016 of \$23,720.

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 January 30, 2017, which is the date the financial statements were available to be issued. On January 18, 2017, the Organization repaid the full balance of the Sunrise Bank and the Nonprofits Assistance Fund notes payable. See Note 4 for details of the notes payable.