Ed Allies

Financial Statements

December 31, 2018 and 2017

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Ed Allies
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Independent Auditor's Report

Board of Directors
Ed Allies
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Ed Allies (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 presentation of the financial statements.

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 in the first paragraph present fairly, in all material respects, the financial position of Ed Allies as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BerganKDV, Ltd.

St. Cloud, Minnesota
March 14, 2019

FINANCIAL STATEMENTS

Ed Allies
Statements of Financial Position
As of December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 286,976	$ 249,072
Contributions receivable	56,000	126,148
Prepaid expenses	36,099	11,866
Total current assets	379,075	387,086
Property and equipment, net	171,049	15,692
Total assets	$ 550,124	$ 402,778
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 9,236	$ 4,104
Salaries and related benefits payable	9,508	7,518
Total current liabilities	18,744	11,622
Net assets		
Without donor restrictions	164,021	120,323
With donor restrictions	367,359	270,833
Total net assets	531,380	391,156
Total liabilities and net assets	$ 550,124	$ 402,778

See notes to financial statements.

Ed Allies
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions	$ 391,259	$ 652,000	$ 1,043,259
Loss on disposal of property and equipment	(523)	-	(523)
Net assets released from restrictions	555,474	(555,474)	-
Total public support	946,210	96,526	1,042,736
Expenses			
Program services	659,360	-	659,360
Supporting services			
Management and general	170,913	-	170,913
Fundraising	72,239	-	72,239
Total expenses	902,512	-	902,512
Change in net assets	43,698	96,526	140,224
Net Assets			
Beginning of year	120,323	270,833	391,156
End of year	$ 164,021	$ 367,359	$ 531,380

See notes to financial statements.

Ed Allies
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions	$ 561,109	$ 365,000	$ 926,109
Net assets released from restrictions	94,167	(94,167)	-
Total public support	655,276	270,833	926,109
Expenses			
Program services	632,172	-	632,172
Supporting services			
Management and general	151,414	-	151,414
Fundraising	112,082	-	112,082
Total expenses	895,668	-	895,668
Change in net assets	(240,392)	270,833	30,441
Net Assets			
Beginning of year	360,715	-	360,715
End of year	$ 120,323	$ 270,833	$ 391,156

See notes to financial statements.

Ed Allies
Statement of Functional Expenses
Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries and Related Taxes and Benefits				
Salaries	$ 424,404	$ 82,676	$ 44,094	$ 551,174
Employee benefits	65,052	12,673	6,758	84,483
Payroll taxes	34,505	6,722	3,585	44,812
Total salaries and related taxes and benefits	523,961	102,071	54,437	680,469
Expenses				
Fees for services	49,351	42,305	9,756	101,412
Advertising expense	2,477	-	619	3,096
Office expense	11,260	3,460	2,740	17,460
Information technology	9,161	836	1,111	11,108
Advocacy and promotion	12,218	-	-	12,218
Occupancy	23,953	4,666	2,489	31,108
Travel	13,724	297	297	14,318
Conferences and meetings	6,860	-	-	6,860
Insurance	2,211	5,795	230	8,236
Other	4,184	2,389	560	7,133
Total expenses before depreciation	659,360	161,819	72,239	893,418
Depreciation	-	9,094	-	9,094
Total expenses	$ 659,360	$ 170,913	$ 72,239	$ 902,512

Ed Allies
Statement of Functional Expenses
Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Salaries and Related Taxes and Benefits				
Salaries	$ 411,042	$ 83,319	$ 61,101	$ 555,462
Employee benefits	61,795	12,526	9,185	83,506
Payroll taxes	32,775	6,644	4,871	44,290
Total salaries and related taxes and benefits	505,612	102,489	75,157	683,258
Expenses				
Fees for services	51,335	28,703	31,493	111,531
Advertising expense	6,949	-	-	6,949
Office expense	10,441	3,892	1,422	15,755
Information technology	8,702	414	1,013	10,129
Advocacy and promotion	11,266	-	-	11,583
Occupancy	13,777	2,793	2,048	18,618
Travel	14,567	-	401	14,968
Conferences and meetings	4,748	-	-	4,748
Insurance	1,400	3,741	208	5,349
Other	3,375	4,801	340	8,199
Total expenses before depreciation	632,172	146,833	112,082	891,087
Depreciation	-	4,581	-	4,581
Total expenses	$ 632,172	$ 151,414	$ 112,082	$ 895,668

See notes to financial statements.

Ed Allies
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows - Operating Activities		
Change in net assets	$ 140,224	$ 30,441
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	9,094	4,581
Loss on disposal of property and equipment	523	-
Change in operating assets and liabilities		
Contributions receivable	70,148	(126,148)
Prepaid expenses	(24,233)	(6,108)
Accounts payable	2,964	(19,240)
Salaries and related benefits payable	1,990	(2,836)
Total adjustments	60,486	(149,751)
Net cash flows - operating activities	200,710	(119,310)
Cash Flows - Investing Activities		
Purchases of property and equipment	(162,806)	(11,903)
Net change in cash and cash equivalents	37,904	(131,213)
Cash and Cash Equivalents		
Beginning of year	249,072	380,285
End of year	$ 286,976	$ 249,072
Supplementary Cash Flows Information		
Purchase of property and equipment included in accounts payable	$ 2,168	$ -

See notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ed Allies (the "Organization") launched in October 2016 with the support of education, civic, and philanthropic leaders across the state. As a locally led advocacy nonprofit, our board and staff work to be as responsive as possible to the needs of Minnesota children and schools. The mission of Ed Allies is to partner with schools, families, and communities to ensure that every young Minnesotan has access to a rigorous and engaging education. The Organization advances policies that put underserved students first, remove barriers facing successful schools and programs, and foster an inclusive conversation about what is possible for students.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recorded as earned and expenses when incurred. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Organization considers cash in financial institutions and all highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Contributions Receivable

Unconditional contributions are recorded as contribution revenue and are classified as either current or long-term assets, depending on the expected collection date. All contributions receivable at December 31, 2018 and 2017, were expected to be collected within one year. Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Management has determined that the contributions receivable are fully collectible; therefore, no allowance for uncollectible contributions was considered necessary at December 31, 2018 and 2017.

Property and Equipment

The Organization capitalizes property and equipment with a value greater than $1,000 and with an estimated life of greater than one year. Property and equipment purchased are stated at cost. Depreciation of property and equipment is provided on a straight-line basis, over the estimated useful lives of the assets. Estimated useful lives range from 2 to 10 years. Depreciation expense for 2018 and 2017 was $9,094 and $4,581, respectively.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)
Contributed property and equipment is recorded at fair value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has determined that no impairment existed at December 31, 2018 and 2017.

Net Assets
Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition
Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

In-kind contributions are recorded as contributions valued at fair value on date of donation. A similar amount is included in expenses on the statements of activities. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For 2018 and 2017, there were no significant donated services, facilities and materials.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2018 and 2017, the Organization incurred advertising costs totaling $3,096 and $6,949, respectively.

Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from Minnesota franchise and income tax.

The Organization is required to assess whether any uncertain tax positions exist and if there should be recognition of a related benefit or liability in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Recently Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-For-Profit Entities
In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958). This update does not have an impact on recognition or measurement of assets, liabilities, net assets, revenues, or expenses, it instead improves the presentation of financial statements of not-for-profit entities. This standard reduces the net asset classification from three to two; net assets with and without donor restrictions. In addition, this update expands disclosures about liquidity and financial performance of the not-for-profit entity. The adoption of this guidance did not have a material impact on the Organization's financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Leases
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. This update is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Revenue Recognition
In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard will affect organizations that enter into contracts with customers and provides a five-step process for determining when revenue should be recognized to match the transfer of goods or services. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Clarifying Guidance for Contributions Received and Contributions Made
In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update aims to standardize how grants and other contracts are classified as either an exchange transaction or a contribution. Classifying grants as either a contribution or exchange transaction is the first step in implementing revenue recognition. For most recipients, this update is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events
The Organization has evaluated subsequent events through March 14, 2019, the date which the financial statements were available to be issued.

NOTE 2 – 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 date, comprise of the following:

	2018
Cash and cash equivalents	$ 286,976
Contributions receivable	56,000
	$ 342,976

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

NOTE 3 – PROPERTY AND EQUIPMENT

	2018	2017
Leasehold improvements	$ 139,462	$ 2,617
Furniture and equipment	43,587	18,075
	183,049	20,692
Less accumulated depreciation	(12,000)	(5,000)
Property and equipment, net	$ 171,049	$ 15,692

NOTE 4 – RETIREMENT PLAN

Employees of the Organization participate in a single-employer defined contribution retirement plan covering employees upon employment. Contributions are made to the plan at the discretion of the Board of Directors. Retirement plan expenses for 2018 and 2017 were $27,038 and $26,550, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS

Contributions from the Board of Directors totaled $60,100 and $16,735, respectively for 2018 and 2017. In addition, parties affiliated with the Organization's Board of Directors donated $0 and $105,000, respectively for 2018 and 2017. As of December 31, 2018 and 2017, there were contributions receivable from these parties of $40,000 and $100,000, respectively.

NOTE 6 – OPERATING LEASE

The Organization entered into an operating lease for office space which expires in May 31, 2025. The lease agreement included an incentive for tenant improvements. The Organization paid for the improvements in 2018 and was reimbursed $125,236 in January 2019, which was then recorded as deferred rent. Total lease expense for 2018 and 2017 was $31,108 and $18,618, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2019	$ 43,372
2020	39,061
2021	40,231
2022	41,418
Thereafter	105,493
Total minimum future lease payments	$ 269,575

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

	2018	2017
Restricted for time	$ 238,109	$ 260,833
Restricted for purpose	129,250	10,000
Total net assets with donor restrictions	$ 367,359	$ 270,833

	2018	2017
Released for time	$ 392,724	$ 94,167
Released for purpose	162,750	-
Total net assets released from restrictions	$ 555,474	$ 94,167

NOTE 8 – CONCENTRATIONS

Cash and Cash Equivalents
At various times during the year, the Organization had cash on deposit with banks in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses from such accounts.

Contributions Receivable
One contributor accounted for 71% of the balance as of December 31, 2018**.**

NOTE 8 – CONCENTRATIONS (CONTINUED)

Revenue

Two contributors accounted for 57% of total revenue in 2018 and four contributors accounted for 63% of total revenue in 2017.