

Ed Allies
Financial Statements
December 31, 2019 and 2018

Ed Allies
Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10

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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2020

FINANCIAL STATEMENTS

Ed Allies
Statements of Financial Position
As of December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 371,017	\$ 286,976
Contributions receivable	195,000	56,000
Prepaid expenses	36,915	36,099
Total current assets	602,932	379,075
Property and equipment, net	149,235	171,049
Contributions receivable, net of current portion	186,000	-
Total assets	\$ 938,167	\$ 550,124
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,780	\$ 9,236
Salaries and related taxes and benefits payable	10,681	9,508
Deferred lease incentive	19,267	-
Total current liabilities	33,728	18,744
Deferred lease incentive, net current portion	86,702	-
Total liabilities	120,430	18,744
Net assets		
Without donor restrictions		
Undesignated	141,994	164,021
Board designated for operating reserve	80,177	-
With donor restrictions	595,566	367,359
Total net assets	817,737	531,380
Total liabilities and net assets	\$ 938,167	\$ 550,124

Ed Allies
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions and grants	\$ 689,475	\$ 625,000	\$ 1,314,475
Interest income	1,482	-	1,482
Other revenue	101	-	101
Net assets released from restrictions	396,793	(396,793)	-
Total support and revenue	<u>1,087,851</u>	<u>228,207</u>	<u>1,316,058</u>
Expenses			
Program services	725,278	-	725,278
Supporting services			
Management and general	223,525	-	223,525
Fundraising	80,898	-	80,898
Total expenses	<u>1,029,701</u>	<u>-</u>	<u>1,029,701</u>
Change in net assets	58,150	228,207	286,357
Net Assets			
Beginning of year	<u>164,021</u>	<u>367,359</u>	<u>531,380</u>
End of year	<u>\$ 222,171</u>	<u>\$ 595,566</u>	<u>\$ 817,737</u>

Ed Allies
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 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 support and revenue	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

Ed Allies
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related Taxes and Benefits				
Salaries	\$ 445,935	\$ 107,162	\$ 54,250	\$ 607,347
Employee benefits	66,246	15,920	8,059	90,225
Payroll taxes	34,145	8,205	4,154	46,504
Total salaries and related taxes and benefits	<u>546,326</u>	<u>131,287</u>	<u>66,463</u>	<u>744,076</u>
Expenses				
Fees for services	52,212	37,364	5,462	95,038
Office expense	11,288	3,593	2,495	17,376
Information technology	14,685	1,540	1,803	18,028
Advocacy and promotion	45,293	881	-	46,174
Occupancy	28,634	6,901	3,488	39,023
Travel	15,416	337	337	16,090
Conferences and meetings	6,330	-	-	6,330
Insurance	1,879	7,328	228	9,435
Other	3,215	1,159	622	4,996
Total expenses before depreciation	<u>725,278</u>	<u>190,390</u>	<u>80,898</u>	<u>996,566</u>
Depreciation	<u>-</u>	<u>33,135</u>	<u>-</u>	<u>33,135</u>
Total expenses	<u><u>\$ 725,278</u></u>	<u><u>\$ 223,525</u></u>	<u><u>\$ 80,898</u></u>	<u><u>\$ 1,029,701</u></u>

See notes to financial statements.

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>\$ 659,360</u>	<u>\$ 170,913</u>	<u>\$ 72,239</u>	<u>\$ 902,512</u>

Ed Allies
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows - Operating Activities		
Change in net assets	\$ 286,357	\$ 140,224
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	33,135	9,094
Discount on contributions receivable	14,000	-
Loss on disposal of property and equipment	-	523
Change in deferred lease incentive	(19,267)	-
Change in operating assets and liabilities		
Contributions receivable	(339,000)	70,148
Prepaid expenses	(816)	(24,233)
Accounts payable	(5,456)	2,964
Salaries and related taxes and benefits payable	1,173	1,990
Total adjustments	(316,231)	60,486
Net cash flows - operating activities	(29,874)	200,710
 Cash Flows - Investing Activities		
Purchases of property and equipment	(11,592)	(162,806)
Deferred lease incentive	125,236	-
Proceeds from sale of property and equipment	271	-
	113,915	(162,806)
 Net change in cash and cash equivalents	84,041	37,904
 Cash and Cash Equivalents		
Beginning of year	286,976	249,072
End of year	\$ 371,017	\$ 286,976
 Supplementary Cash Flows Information		
Purchase of property and equipment included in accounts payable	\$ -	\$ 2,168

See notes to financial statements.

Ed Allies
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, the 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 and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, 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. Unconditional contributions that are expected to be collected within one year are recorded at their net realizable value. No allowance was deemed necessary as of December 31, 2019 and 2018. Unconditional contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

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 is stated at cost. Contributed property and equipment is recorded at fair value at the date of donation. 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 2019 and 2018 was \$33,135 and \$9,094, respectively.

Ed Allies
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018.

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. The governing board has designated, from net assets without donor restrictions, net assets for the operating reserve.

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

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.

Grants that are considered nonreciprocal transactions or gifts that further the programs of the Organization are recorded when the Organization receives notification of the grant award or gift, or, if conditions for performance are imposed, revenue is recognized when conditions have been met.

Ed Allies
Notes to Financial Statements

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 2019 and 2018, 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. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited and based on an estimate of staff time spent on each function.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2019 and 2018, the Organization incurred advertising costs totaling \$0 and \$3,096, 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

Clarifying Guidance for Contributions Received and Contributions Made

On January 1, 2019, the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* became effective. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The impact of the update was insignificant to the financial statements.

Ed Allies
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

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. In November 2019, the FASB issued ASU No. 2019-10 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

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:

	2019	2018
Cash and cash equivalents	\$ 371,017	\$ 286,976
Contributions receivable, net	381,000	56,000
	752,017	342,976
Less board designated net assets for operating reserve	(80,177)	-
Less net assets with donor restrictions	(595,566)	(367,359)
Total financial assets available for general expenditures	\$ 76,274	\$ (24,383)

The Organization does not have a formal policy; however, it generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Although the Organization does not intend to spend from its board designated net assets for operating reserve, these amounts could be made available if necessary. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including money market funds, certificates of deposit and short-term treasury instruments.

Ed Allies
Notes to Financial Statements

NOTE 3 – CONTRIBUTIONS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Contributions receivable due in:		
Less than one year	\$ 195,000	\$ 56,000
One to five years	200,000	-
Total contributions receivable	<u>395,000</u>	<u>56,000</u>
Less discounts to net present value	(14,000)	-
Less allowance for uncollectible contributions	<u>-</u>	<u>-</u>
 Contributions receivable, net	 <u><u>\$ 381,000</u></u>	 <u><u>\$ 56,000</u></u>

	<u>2019</u>	<u>2018</u>
Contributions receivable		
Current	\$ 195,000	\$ 56,000
Noncurrent	<u>186,000</u>	<u>-</u>
 Contributions receivable, net	 <u><u>\$ 381,000</u></u>	 <u><u>\$ 56,000</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 139,462	\$ 139,462
Furniture and equipment	<u>52,402</u>	<u>43,587</u>
	191,864	183,049
Less accumulated depreciation	<u>(42,629)</u>	<u>(12,000)</u>
 Property and equipment, net	 <u><u>\$ 149,235</u></u>	 <u><u>\$ 171,049</u></u>

NOTE 5 – 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 2019 and 2018 were \$28,513 and \$27,038, respectively.

NOTE 6 – OPERATING LEASE AND DEFERRED LEASE INCENTIVE

The Organization entered into an operating lease for office space which expires in May 31, 2025. The Organization pays a monthly base rate as well as additional rent its pro rata share of the amount of general real estate taxes, installments of special assessments and other government impositions. Total rent expense for 2019 and 2018 was \$34,621 and \$31,108, respectively.

Ed Allies
Notes to Financial Statements

NOTE 6 – OPERATING LEASE AND DEFERRED LEASE INCENTIVE (CONTINUED)

The lease agreement included an incentive for tenant improvements. The Organization paid for the improvements and recorded the related leasehold improvements asset in 2018. The Organization was reimbursed \$125,236 in January 2019, which was then recorded as deferred lease incentive. The deferred lease incentive and leasehold improvements are being amortized over the term of the lease at a rate of \$19,267 per year through the end of the lease term.

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

2020	\$ 39,061
2021	40,231
2022	41,418
2023	42,692
2024	43,978
Thereafter	<u>18,823</u>
Total minimum future lease payments	<u><u>\$ 226,203</u></u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

	<u>2019</u>	<u>2018</u>
Restricted for time	\$ 460,620	\$ 238,109
Restricted for purpose	<u>134,946</u>	<u>129,250</u>
Total net assets with donor restrictions	<u><u>\$ 595,566</u></u>	<u><u>\$ 367,359</u></u>
	<u>2019</u>	<u>2018</u>
Released for time	\$ 179,155	\$ 392,724
Released for purpose	<u>217,638</u>	<u>162,750</u>
Total net assets released from restrictions	<u><u>\$ 396,793</u></u>	<u><u>\$ 555,474</u></u>

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.

Ed Allies
Notes to Financial Statements

NOTE 8 – CONCENTRATIONS (CONTINUED)

Contributions Receivable

Two contributors accounted for 95% of the balance as of December 31, 2019 and one contributor accounted for 71% of the balance as of December 31, 2018, respectively.

Revenue

Four contributors accounted for 69% in 2019 and two contributors accounted for 57% in 2018 of total contributions and grants revenue, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 12, 2020, the date which the financial statements were available to be issued.

In February 2020, the Organization entered into a contract for professional consulting services for a fixed fee of \$20,000. The contract terminates until canceled by either party or by May 31, 2020.

At the end of the 2019, the Executive Director announced that he would transition off staff in the Spring of 2020. The position was offered internally to the Senior Policy Director in which he accepted, and the transition is effective as of April 1, 2020. With the transition being internal and the Senior Policy Director being a public face of the Organization since its inception, the transition is expected not to affect fundraising, programming, or operations.