

Wallin Education Partners
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2019 and 2018



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Wallin Education Partners
Minneapolis, Minnesota

We have audited the accompanying financial statements of Wallin Education Partners, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expense, 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 entity'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 entity'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 above present fairly, in all material respects, the financial position of Wallin Education Partners as of June 30, 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.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
December 19, 2019

WALLIN EDUCATION PARTNERS
 STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 3,561,155	\$ 6,600,607	\$ 10,161,762	\$ 1,212,079	\$ 7,526,260	\$ 8,738,339
Event Income	8,000	-	8,000	106,816	-	106,816
Event Expense	-	-	-	(36,922)	-	(36,922)
Net Event Income	8,000	-	8,000	69,894	-	69,894
Investment Income	214,257	-	214,257	35,545	-	35,545
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	4,099,715	(4,099,715)	-	4,396,789	(4,396,789)	-
Total Support and Revenue	7,883,127	2,500,892	10,384,019	5,714,307	3,129,471	8,843,778
Expense:						
Program Services	6,794,563	-	6,794,563	5,226,951	-	5,226,951
Support Services:						
Management & General	383,262	-	383,262	226,530	-	226,530
Fundraising	390,026	-	390,026	226,131	-	226,131
Total Support Services	773,288	-	773,288	452,661	-	452,661
Total Expense	7,567,851	-	7,567,851	5,679,612	-	5,679,612
Change in Net Assets	315,276	2,500,892	2,816,168	34,695	3,129,471	3,164,166
Net Assets - Beginning of Year	565,843	6,314,533	6,880,376	531,148	3,185,062	3,716,210
Net Assets - End of Year	\$ 881,119	\$ 8,815,425	\$ 9,696,544	\$ 565,843	\$ 6,314,533	\$ 6,880,376

The accompanying Notes to Financial Statements
 are an integral part of these statements.

WALLIN EDUCATION PARTNERS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019			2018		
	Total Program Services	Support Services		Total All Services	Total All Services	
		Management & General	Fund- raising	Total Support Services		
Salaries	\$ 965,152	\$ 233,824	\$ 232,103	\$ 465,927	\$ 1,431,079	\$ 919,470
Benefits	64,290	30,313	16,137	46,450	110,740	48,825
Payroll Taxes	88,119	9,434	16,652	26,086	114,205	86,783
Total Personnel Costs	<u>1,117,561</u>	<u>273,571</u>	<u>264,892</u>	<u>538,463</u>	<u>1,656,024</u>	<u>1,055,078</u>
Scholarship Grants	5,323,813	-	-	-	5,323,813	4,312,622
Professional Fees and Contract Services	153,348	64,475	73,635	138,110	291,458	25,228
Office Expense	114,580	37,037	20,237	57,274	171,854	126,213
Meetings and Events	62,400	-	22,803	22,803	85,203	71,097
Marketing, Advertising and Promotion	10,982	-	5,340	5,340	16,322	45,590
Staff Mileage and Travel	9,122	1,108	2,340	3,448	12,570	15,244
Other Expense	-	6,088	-	6,088	6,088	11,606
Dues and Subscriptions	1,676	569	640	1,209	2,885	6,410
Insurance	1,081	414	139	553	1,634	10,524
Total Expense	<u>\$ 6,794,563</u>	<u>\$ 383,262</u>	<u>\$ 390,026</u>	<u>\$ 773,288</u>	<u>\$ 7,567,851</u>	<u>\$ 5,679,612</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

WALLIN EDUCATION PARTNERS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2018

	Total Program Services	Support Services		Total Support Services	Total All Services
		Management & General	Fund- raising		
Salaries	\$ 625,240	\$ 147,115	\$ 147,115	\$ 294,230	\$ 919,470
Benefits	33,201	7,812	7,812	15,624	48,825
Payroll Taxes	59,013	13,885	13,885	27,770	86,783
Total Personnel Costs	717,454	168,812	168,812	337,624	1,055,078
Scholarship Grants	4,312,622	-	-	-	4,312,622
Professional Fees and Contract Services	11,198	14,030	-	14,030	25,228
Office Expense	85,825	20,194	20,194	40,388	126,213
Meetings and Events	39,078	9,194	22,825	32,019	71,097
Marketing, Advertising and Promotion	31,002	7,294	7,294	14,588	45,590
Staff Mileage and Travel	10,366	2,439	2,439	4,878	15,244
Other Expense	7,892	1,857	1,857	3,714	11,606
Dues and Subscriptions	4,358	1,026	1,026	2,052	6,410
Insurance	7,156	1,684	1,684	3,368	10,524
Total Expense	\$ 5,226,951	\$ 226,530	\$ 226,131	\$ 452,661	\$ 5,679,612

The accompanying Notes to Financial Statements
are an integral part of this statement.

WALLIN EDUCATION PARTNERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,341,631	\$ 651,403
Short-Term Investments	6,681,978	3,106,325
Pledges Receivable - Current Portion	3,811,691	1,948,856
Interest Receivable	12,399	21,800
Grants Receivable	-	10,000
Prepaid Expense	34,864	20,613
Total Current Assets	11,882,563	5,758,997
Investments - Long-term	2,104,892	4,633,572
Pledges Receivable - Long-term	6,792,836	4,925,231
TOTAL ASSETS	\$ 20,780,291	\$ 15,317,800
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 43,044	\$ 10,892
Accrued Compensation	109,603	10,450
Scholarship Grants Payable - Current Portion	3,825,499	2,965,453
Total Current Liabilities	3,978,146	2,986,795
Scholarship Grants Payable - Long-term	7,105,601	5,450,629
Total Liabilities	11,083,747	8,437,424
Net Assets:		
Without Donor Restrictions:		
Designated - Including Board Reserve	565,681	264,298
Designated - Star of the North Scholars	92,000	-
Undesignated	223,438	301,545
Total Without Donor Restrictions	881,119	565,843
With Donor Restrictions	8,815,425	6,314,533
Total Net Assets	9,696,544	6,880,376
TOTAL LIABILITIES AND NET ASSETS	\$ 20,780,291	\$ 15,317,800

The accompanying Notes to Financial Statements
are an integral part of these statements.

WALLIN EDUCATION PARTNERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 2,816,168	\$ 3,164,166
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Pledges Receivable - Long-term	(1,867,605)	(1,719,882)
Scholarship Grants Payable - Long-term	1,654,972	1,460,605
Contributed Securities	(298,735)	(5,079)
Unrealized Investment (Gains) Losses	(40,530)	57,821
Realized Investment (Gains) Losses	(6,246)	5,899
Increases (Decreases) in Current Liabilities:		
Accounts Payable	32,152	(8,830)
Accrued Compensation	99,153	(39,591)
Scholarship Grants Payable	860,046	544,779
Decreases (Increases) in Current Assets:		
Pledges Receivable	(1,862,835)	(789,933)
Interest Receivable	9,401	(5,325)
Grants Receivable	10,000	115,000
Prepaid Expense	(14,251)	3,271
Net Cash Provided by Operating Activities	<u>1,391,690</u>	<u>2,782,901</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(4,987,335)	(8,798,311)
Proceeds from Maturity of Investments	4,285,873	6,036,366
Net Cash (Used) by Investing Activities	<u>(701,462)</u>	<u>(2,761,945)</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	690,228	20,956
Cash and Cash Equivalents - Beginning of Year	<u>651,403</u>	<u>630,447</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,341,631</u>	<u>\$ 651,403</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

1. Summary of Significant Accounting Policies

Organizational Purpose

The mission of Wallin Education Partners (the Organization) is to enable college and career success for high-potential Minnesota students with financial need through scholarships, comprehensive advising support, and data-informed collaboration with our educational, business, and philanthropic partners.

The vision of the Organization is to create a diverse, ever expanding community of scholars and educated citizens with the skills, leadership, and dedication needed to build a stronger tomorrow. Our work is informed by the recognition of demographic changes in our society, the need for equity, and considerations of our future workforce.

Net Assets

In order to observe the limitations and restrictions placed on resources available to the Organization, resources are classified for accounting and reporting purposes in net asset groupings. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions pursuant to those stipulations, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at market value.

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been provided as pledges receivable are considered collectable.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category—Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Grants Payable

Scholarship awards are recognized in the period the award is made.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services are allocated based on the best estimates of management.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

1. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the previously reported net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended June 30, 2019 and 2018, as required.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through December 19, 2019, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for grants and contributions receivable are from local residents or institutions.

3. Major Sources of Support and Revenue

During 2019 and 2018, five donors accounted for 67% and 72%, respectively, of recorded revenue. At both June 30, 2019 and 2018, five donors accounted for 82% of the pledges receivable.

4. Investments

Investments were comprised of the following as of:

	June 30,			
	2019		2018	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 4,468,014	\$ 4,463,116	\$ 7,621,981	\$ 7,545,743
Treasury Obligation Money Fund	4,124,960	4,124,960	-	-
Vanguard Short-Term Bond Fund	200,093	198,794	200,093	194,154
Total	\$ 8,793,067	\$ 8,786,870	\$ 7,822,074	\$ 7,739,897

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

4. Investments (Continued)

Investment income was as follows as of:

	June 30,	
	2019	2018
Interest and Dividend Income	\$ 167,481	\$ 99,265
Realized Gain (Loss)	6,246	(5,899)
Unrealized Gain (Loss)	40,530	(57,821)
	\$ 214,257	\$ 35,545

5. Fair Value

In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"), "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value at:

June 30, 2019

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 4,463,116	\$ -	\$ -	\$ 4,463,116
Treasury Obligation Money Fund	4,124,960	-	-	4,124,960
Vanguard Short-Term Bond Fund	198,794	-	-	198,794
Pledges Receivable	-	10,604,527	-	10,604,527
Total	\$ 8,786,870	\$ 10,604,527	\$ -	\$ 19,391,097

June 30, 2018

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 7,545,743	\$ -	\$ -	\$ 7,545,743
Vanguard Short-Term Bond Fund	194,154	-	-	194,154
Pledges Receivable	-	6,874,087	-	6,874,087
Total	\$ 7,739,897	\$ 6,874,087	\$ -	\$ 14,613,984

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

6. Pledges Receivable

The outstanding balance of pledges receivable, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending June 30,</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 2,032,007
2020	3,938,466	2,252,596
2021	3,231,759	1,796,750
2022	2,596,356	1,184,500
2023	<u>1,361,105</u>	<u>-</u>
	11,127,686	7,265,853
Less: Pledge receivable discount at 4%	<u>523,159</u>	<u>391,766</u>
	<u>\$ 10,604,527</u>	<u>\$ 6,874,087</u>

7. Scholarship Grants Payable

Grants payable commitments are expected to be paid in the following fiscal years:

<u>Due in the Year Ending June 30,</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 3,108,160
2020	4,013,503	2,574,900
2021	3,411,768	2,021,000
2022	2,763,294	1,200,900
2023	<u>1,372,000</u>	<u>-</u>
	11,560,565	8,904,960
Less: Grant payable discount at 4%	<u>629,465</u>	<u>488,878</u>
	<u>\$ 10,931,100</u>	<u>\$ 8,416,082</u>

8. Leased Facilities

Rental commitments under noncancelable lease for office space in effect at June 30, 2019, were \$109,900. The office lease includes both a base amount and operating expenses that are determined each year. The future annual base rental commitments are as follows:

<u>Due in the Year Ending,</u>	
2020	\$ 52,245
2021	53,214
2022	<u>4,441</u>
Total	<u>\$ 109,900</u>

Rental expense was \$80,450 and \$75,730 for the years ended June 30, 2019 and 2018, respectively.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

9. Pension Plan

The Organization contributes to a Simple IRA Employee Pension Plan that covers those employees who meet eligibility requirements. Contributions of \$32,325 and \$22,558 were made in the years ended June 30, 2019 and 2018, respectively.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following purposes as of:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Program Support	\$ 6,033,954	\$ 4,623,548
All-In Milwaukee	995,583	153,985
Scholarships for Future Award	960,000	1,392,000
Capacity Building	673,409	-
2-Year Program	108,854	90,000
Technology	25,578	55,000
Immigrant Services	<u>18,047</u>	<u>-</u>
	<u>\$ 8,815,425</u>	<u>\$ 6,314,533</u>

11. All-In Milwaukee

The Organization began a fiscal sponsorship with All-In Milwaukee (AIM), a start-up scholarship provider, in April 2018. AIM obtained its own exempt status in June 2019 and transitioned from the Organization in early fiscal year 2020. Included in the financial statements, AIM's support and revenue and expenses were approximately \$1.88M and \$1.06M, respectively in the year ended June 30, 2019. At June 30, 2019, AIM's assets were approximately \$1.72M and liabilities of \$720K.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

12. Liquidity and Availability

The following represents the Organization's financial assets at June 30, 2019:

Financial Assets:	
Cash	\$ 1,341,631
Short-Term Investments	6,681,978
Pledges Receivable – Current Portion	3,811,691
Interest Receivable	<u>12,399</u>
Total Financial Assets	11,847,699
Less assets not available to be used for general expenditures within one year:	
Donor Restricted All-In Milwaukee	995,583
Donor Restricted Future Years' Program Support	<u>4,525,466</u>
	<u>5,521,049</u>
Financial assets available for general expenditures within one year:	<u>\$ 6,326,650</u>

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.