

# Wallin Education Partners

## Financial Statements Together with Independent Auditors' Report

June 30, 2020

# WALLIN EDUCATION PARTNERS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Wallin Education Partners  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Wallin Education Partners (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses and cash flows for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The financial statements of Wallin Education Partners, as of June 30, 2019, were audited by other auditors whose report dated December 19, 2019, expressed an unmodified opinion on those statements.

Roseville, Minnesota  
December 1, 2020

*Olsen Thielen & Co., Ltd.*

## WALLIN EDUCATION PARTNERS

### STATEMENT OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

ASSETS		
	2020	2019
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 8,264,085	\$ 1,341,631
Short-Term Investments	1,182,889	6,681,978
Pledges Receivable - Current Portion	3,173,416	3,811,691
Interest and Other Receivable	7,450	12,399
Prepaid Expenses	37,900	34,864
Total Current Assets	12,665,740	11,882,563
OTHER ASSETS:		
Investments - Long-term	1,179,115	2,104,892
Pledges Receivable - Long-term	6,989,488	6,792,836
Total Other Assets	8,168,603	8,897,728
TOTAL ASSETS	\$ 20,834,343	\$ 20,780,291
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 52,636	\$ 43,044
Accrued Compensation and Benefits	169,825	109,603
Scholarship Grants Payable - Current Portion	4,548,707	4,013,503
Total Current Liabilities	4,771,168	4,166,150
SCHOLARSHIPS GRANTS PAYABLE - LONG-TERM	7,156,357	6,917,597
TOTAL LIABILITIES	11,927,525	11,083,747
NET ASSETS:		
Without Donor Restrictions:		
Designated - Including Board Reserve	1,001,681	565,681
Designated - Star of the North Scholars	-	92,000
Undesignated	456,850	223,438
Total Without Donor Restrictions	1,458,531	881,119
With Donor Restrictions	7,448,287	8,815,425
Total Net Assets	8,906,818	9,696,544
TOTAL LIABILITIES AND NET ASSETS	\$ 20,834,343	\$ 20,780,291

*The accompanying notes are an integral part of the financial statements.*

**WALLIN EDUCATION PARTNERS**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 464,403	\$ 6,748,302	\$ 7,212,705	\$ 3,561,155	\$ 6,600,607	\$ 10,161,762
Event Income	9,965	-	9,965	8,000	-	8,000
Investment Income	204,881	-	204,881	214,257	-	214,257
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	<u>7,119,857</u>	<u>(7,119,857)</u>	<u>-</u>	4,099,715	<u>(4,099,715)</u>	<u>-</u>
Total Support and Revenue	<u>7,799,106</u>	<u>(371,555)</u>	<u>7,427,551</u>	<u>7,883,127</u>	<u>2,500,892</u>	<u>10,384,019</u>
<b>EXPENSES:</b>						
Program Services:	6,497,499	-	6,497,499	6,794,563	-	6,794,563
Support Services:						
Management and General	468,387	-	468,387	383,262	-	383,262
Fundraising	255,808	-	255,808	390,026	-	390,026
Total Support Services	<u>724,195</u>	<u>-</u>	<u>724,195</u>	<u>773,288</u>	<u>-</u>	<u>773,288</u>
Total Expenses	<u>7,221,694</u>	<u>-</u>	<u>7,221,694</u>	<u>7,567,851</u>	<u>-</u>	<u>7,567,851</u>
CHANGE IN NET ASSETS	577,412	(371,555)	205,857	315,276	2,500,892	2,816,168
NET ASSETS TRANSFER TO AFFILIATE	-	(995,583)	(995,583)	-	-	-
NET ASSETS at Beginning of Year	<u>881,119</u>	<u>8,815,425</u>	<u>9,696,544</u>	565,843	<u>6,314,533</u>	<u>6,880,376</u>
NET ASSETS at End of Year	<u>\$ 1,458,531</u>	<u>\$ 7,448,287</u>	<u>\$ 8,906,818</u>	<u>\$ 881,119</u>	<u>\$ 8,815,425</u>	<u>\$ 9,696,544</u>

*The accompanying notes are an integral part of the financial statements.*

**WALLIN EDUCATION PARTNERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	2020				Total All Services
	Total Program Services	Support Services		Total Support Services	
		Management and General	Fundraising		
Salaries and Wages	\$ 1,075,854	\$ 284,856	\$ 159,291	\$ 444,147	\$ 1,520,000
Employee Benefits	95,004	25,154	14,066	39,220	134,225
Payroll Taxes	85,217	22,563	12,617	35,180	120,398
Total Personnel Costs	<u>1,256,075</u>	<u>332,573</u>	<u>185,974</u>	<u>518,547</u>	<u>1,774,623</u>
Scholarship Grants	5,009,435	-	-	-	5,009,435
Professional Fees and Contract Services	115,003	69,554	30,196	99,750	214,753
Office Expense	72,939	50,339	12,075	62,414	135,353
Meetings and Events	26,637	135	20,938	21,073	47,710
Other Expense and Uncollectibles	11,376	11,121	3,862	14,983	26,359
Insurance	3,813	2,505	555	3,060	6,873
Dues and Subscriptions	1,293	1,264	439	1,703	2,995
Staff Mileage and Travel	917	896	311	1,207	2,124
Marketing, Advertising and Promotion	<u>11</u>	<u>-</u>	<u>1,458</u>	<u>1,458</u>	<u>1,469</u>
 Total Expenses	 <u>\$ 6,497,499</u>	 <u>\$ 468,387</u>	 <u>\$ 255,808</u>	 <u>\$ 724,195</u>	 <u>\$ 7,221,694</u>

*The accompanying notes are an integral part of the financial statements.*

## WALLIN EDUCATION PARTNERS

### STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED JUNE 30, 2019

	2019					
	Total Program Services	Support Services			Total Support Services	Total All Services
		Management and General	Fundraising			
Salaries and Wages	\$ 965,152	\$ 233,824	\$ 232,103	\$ 465,927	\$ 1,431,079	
Employee Benefits	64,290	30,313	16,137	46,450	110,740	
Payroll Taxes	<u>88,119</u>	<u>9,434</u>	<u>16,652</u>	<u>26,086</u>	<u>114,205</u>	
Total Personnel Costs	1,117,561	273,571	264,892	538,463	1,656,024	
Scholarship Grants	5,323,813	–	–	–	5,323,813	
Professional Fees and Contract Services	153,348	64,475	73,635	138,110	291,458	
Office Expense	114,580	37,037	20,237	57,274	171,854	
Meetings and Events	62,400	–	22,803	22,803	85,203	
Other Expense and Uncollectibles	–	6,088	–	6,088	6,087	
Insurance	1,081	414	139	553	1,634	
Dues and Subscriptions	1,676	569	640	1,209	2,885	
Staff Mileage and Travel	9,122	1,108	2,340	3,448	12,570	
Marketing, Advertising and Promotion	<u>10,982</u>	<u>–</u>	<u>5,340</u>	<u>5,340</u>	<u>16,323</u>	
 Total Expenses	 <u>\$ 6,794,563</u>	 <u>\$ 383,262</u>	 <u>\$ 390,026</u>	 <u>\$ 773,288</u>	 <u>\$ 7,567,851</u>	

*The accompanying notes are an integral part of the financial statements.*

**WALLIN EDUCATION PARTNERS**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 205,857	\$ 2,816,168
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Contributed Securities	–	(298,735)
Realized and Unrealized Investment Gains	(94,943)	(46,776)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(855,677)	(3,730,440)
Interest Receivable	4,949	9,401
Grants Receivable	–	10,000
Prepaid Expense	(3,036)	(14,251)
Accounts Payable	9,592	32,152
Accrued Compensation and Benefits	75,514	99,153
Scholarship Grants Payable	<u>1,345,464</u>	<u>2,515,018</u>
Net Cash Flows From Operating Activities	<u>687,720</u>	<u>1,391,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(837,918)	(4,987,335)
Proceeds from Sales of Investments	<u>7,357,727</u>	<u>4,285,873</u>
Net Cash Flows From Investing Activities	<u>6,519,809</u>	<u>(701,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Assets Transfer to Affiliate	<u>(285,075)</u>	–
Net Cash Flows From Financing Activities	<u>(285,075)</u>	–
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,922,454	690,228
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>1,341,631</u>	<u>651,403</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 8,264,085</u>	<u>\$ 1,341,631</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Non-Cash Financing Activities		
Change in Pledge Receivable for Net Assets Transfer to Affiliate	\$ 1,297,300	–
Change in Scholarships Grant Payable for Net Assets Transfer to Affiliate	(571,500)	–
Change in Accrued Compensation for Net Assets Transfer to Affiliate	(15,292)	–

*The accompanying notes are an integral part of the financial statements.*



# WALLIN EDUCATION PARTNERS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

The mission of Wallin Education Partners (the Organization) is to enable college and career success for 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

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

##### Net Assets without Donor Restrictions:

Undesignated: Resources over which the Board of Directors has discretionary control.

Board Designated: Designated amounts represent those net assets which the Board has set aside to fund specific operational activities and to assure the long-term financial health of the Organization. The Board Designated fund is comprised of Operating Reserves and Program Services Support. The Operating Reserve provides a funding mechanism to provide a consistent source of operating support in the operating budget and serves as a reserve to cover budget shortfalls. The Program Services Support provides a mechanism to maintain assets related to grants awarded that will be distributed in future years and to respond to Program Service funding opportunities that advance the mission of the Organization.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

#### Accounting Estimates

The presentation 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 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 those estimates.

## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Subsequent Events**

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through December 1, 2020, the date the financial statements were available to be issued.

##### **Cash Equivalents**

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

##### **Short-Term Investments**

Short-term interest bearing investments are those with maturities of less than one year but greater than three months when purchased. Certificates with maturity dates beyond one year are classified as noncurrent assets. These investments are readily convertible to cash and are stated at cost plus accrued interest, which approximates fair value.

##### **Pledges Receivable and Allowance for Pledge Receivable Losses**

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue.

Pledges receivable are assessed individually for collectability based on the surrounding facts and circumstances and past history.

The Organization monitors the credit quality of its pledges receivable balance. Pledges are reviewed periodically, and collectability of pledge balances is assessed. Losses in prior years have been insignificant. The Organization has recorded no allowance for uncollectible pledges at June 30, 2020 and 2019.

##### **Investments**

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Scholarships Payable**

Unconditional grants are recorded as expense when approved by management. Grants that are subject to conditions are recorded when the conditions have been substantially met. Grants payable are stated at fair value by discounting payments due in more than one year. Grants payable cancelled in a subsequent year are recorded in the year of cancellation.

##### **Revenue Recognition**

Effective July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in US Generally Accepted Accounting Principles (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Results for reporting periods beginning after July 1, 2019 are presented under Topic 606 while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

##### Contributions Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Functional Allocation of Expense**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- 1) Salaries and wages, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- 2) Occupancy, depreciation, amortization and interest are allocated on a square foot basis based on the programs and supporting activities occupying the space.
- 3) Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

##### **Income Taxes**

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code therefore, the statements do not include a provision for income taxes but is subject to income tax on net unrelated business income.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt Organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

##### **Advertising**

Advertising costs are expensed as incurred. Total advertising expenses were \$1,469 and \$16,323 for 2020 and 2019.

##### **Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution.

# WALLIN EDUCATION PARTNERS

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

#### Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

### NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	2020		2019	
	Cost	Market	Cost	Market
Investments:				
Certificates of Deposit	\$ 2,123,559	\$ 2,158,941	\$ 4,468,014	\$ 4,463,116
Treasury Obligation Money Fund	—	—	4,124,960	4,124,960
Vanguard Short-Term Bond Fund	200,093	203,063	200,093	198,794
Total Investments at Fair Market Value	<u>\$ 2,323,652</u>	<u>\$ 2,362,004</u>	<u>\$ 8,793,067</u>	<u>\$ 8,786,870</u>

## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - INVESTMENTS (Continued)

Investment income consists of the following at June 30, 2020 and 2019:

	2020	2019
Interest and Dividend Income	\$ 109,938	\$ 167,481
Unrealized Gains	38,353	6,246
Realized Gains	56,590	40,530
	\$ 204,881	\$ 214,257

The following tables, as of June 30, 2020 and 2019, provide information by level for assets that are measured at fair value, on a recurring basis:

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	\$ -	\$ 2,158,941	\$ -	\$ 2,158,941
Vanguard Short-Term Bond Fund	203,063	-	-	203,063
Total Investments at Fair Market Value	\$ 203,063	\$ 2,158,941	\$ -	\$ 2,362,004
	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	\$ -	\$ 4,463,116	\$ -	\$ 4,463,116
Treasury Obligation Money Market Funds	4,124,960	-	-	4,124,960
Vanguard Bond Fund	198,794	-	-	198,794
Total Investments at Fair Market Value	\$ 4,323,754	\$ 4,463,116	\$ -	\$ 8,786,870

The fair value of the Organization's bond fund, and money market funds were determined based on Level 1 inputs.

The fair value of the Organization's certificates of deposits were determined based on Level 2 inputs and were obtained from independent quotation services whose appraisals are based on closing prices, bid-ask quotations or other factors.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position.

## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The Board of Directors has adopted an investment policy that documents purpose of the investment policy, investment objective, general investment guidelines and permissible investments. All cash and cash equivalents and investments held by the Organization at June 30, 2020 are permissible investments per the Investment Policy.

The Board of Directors meet annually to review and approve the annual budget. The board of directors monitors the Organization's health by reviewing monthly financial reports. These reports include a statement of financial position and a statement of activities and changes in net assets that compare actual to budget amounts. The Organization strives to maintain financial assets available to meet general expenditures at a level that represents three months of operating expenses, which is approximately \$565,000.

The table below presents liquid financial assets available for general expenditure within one year at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 8,264,085	\$ 1,341,631
Short-Term Investments	1,182,889	6,681,978
Pledges Receivable-Current Portion	3,173,416	3,811,691
Interest Receivable	<u>7,450</u>	<u>12,399</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	<u>12,627,840</u>	<u>11,847,699</u>
Less Those Unavailable for General expenditures Within One Year, Due to Donor-Imposed Time or Purpose Restrictions or Board Designations	<u>(8,449,968)</u>	<u>(9,473,106)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,177,872</u>	<u>\$ 2,374,593</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.

**WALLIN EDUCATION PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - PLEDGES RECEIVABLE**

Pledges receivable consisted of the following at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Pledges Receivable - Short Term	\$ 3,173,416	\$ 3,811,691
Pledges Receivable - Long-Term	7,496,288	7,315,995
Less Discount to Present Value at 4%	<u>(483,800)</u>	<u>(523,159)</u>
Total Pledges Receivable	<u>\$ 10,185,904</u>	<u>\$ 10,604,527</u>

Pledges receivable are due as follows for the year ended June 30:

2020	\$ -	\$ 3,938,466
2021	3,173,416	3,231,759
2022	3,464,787	2,596,356
2023	2,655,250	1,361,105
2024	<u>1,376,251</u>	<u>-</u>
	10,669,704	11,127,686
Less Discount at 4%	<u>(483,800)</u>	<u>(523,159)</u>
Total	<u>\$ 10,185,904</u>	<u>\$ 10,604,527</u>

**NOTE 5 - SCHOLARSHIP GRANTS PAYABLE**

Grants payable are due as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
2020	\$ -	\$ 4,013,503
2021	4,548,707	3,411,768
2022	3,580,004	2,763,294
2023	2,498,310	1,372,000
2024	1,104,046	-
2025	<u>494,527</u>	<u>-</u>
	12,225,594	11,560,565
Less Discount to Present Value at 4%	<u>(520,530)</u>	<u>(629,465)</u>
Total	<u>\$ 11,705,064</u>	<u>\$ 10,931,100</u>



## WALLIN EDUCATION PARTNERS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 6 - NET ASSETS

Board designated net assets at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Board Designated:		
Board Reserve	\$ 1,001,681	\$ 565,681
Star of the North Scholars	<u>—</u>	<u>92,000</u>
Total Board Designated Net Assets	<u>\$ 1,001,681</u>	<u>\$ 657,681</u>

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Program Support	\$ 5,977,152	\$ 6,033,954
All-In Milwaukee	—	995,583
Scholarships for Future Awards	777,500	960,000
Capacity Building	469,270	673,409
2-Year Program	134,691	108,854
Restricted Grants and Foundation Gifts	78,000	—
Technology	11,674	25,578
Immigrant Services	<u>—</u>	<u>18,047</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,448,287</u>	<u>\$ 8,815,425</u>

Net assets with donor restrictions of \$7,119,857 and \$4,099,715 were released from restrictions in 2020 and 2019 due to satisfaction of program restrictions.

#### NOTE 7 - LEASE COMMITMENTS

The Organization leases its principal office in Edina, Minnesota. This lease agreement expires on July 31, 2021. In addition to the required lease payments, the Organization also pays real estate taxes, repairs and maintenance, and insurance on leased property.

Lease expense (included in Office Expense on Statement of Functional Expenses) and future minimum commitments for this lease are as follows:

Expense:		
2020		\$ 89,995
2019		80,450
Commitments:		
2021		\$ 53,214
2022		<u>4,441</u>
Total Commitments		<u>\$ 57,655</u>

## **WALLIN EDUCATION PARTNERS**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 8- PENSION PLAN**

The Organization contributes to a Simple IRA Employee Pension Plan that covers those employees who meet eligibility requirements. Contributions of \$41,211 and \$32,325 were made in the years ended June 30, 2020 and 2019, respectively.

#### **NOTE 9- MAJOR SOURCES OF SUPPORT AND REVENUE**

During 2020 and 2019 five donors accounted for 68% and 67%, respectively, of recorded revenue. At June 30, 2020 and 2019, five donors accounted for 80% and 82% of the pledges receivable.

#### **NOTE 10- ALL-IN MILWAUKEE**

The Organization began a fiscal sponsorship with All-In Milwaukee (AIM), a start-up scholarship provider based out of Milwaukee, Wisconsin, in April 2018. AIM obtained its own exempt status in June 2019 and transitioned to an independent entity from the Organization in early fiscal year 2020. In 2020, donor-restricted net assets of \$995,583 were transferred to All-In Milwaukee as an equity transfer. The components of the net assets transfer was a reduction in Pledge Receivable balance of \$1,297,300, a reduction in Scholarships Grant Payable of \$571,500, a reduction in Accrued Compensation of \$15,292, AIM expenses paid by the Organization in fiscal year 2020 of \$104,402, and net remaining cash of \$180,673 paid to AIM. The Organization and AIM share some common board members, but there is no voting control or economic interest present.

#### **NOTE 11 - RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Organization's operations and the financial statements.