

Wallin Education Partners

Financial Statements Together with Independent Auditors' Report

June 30, 2022

WALLIN EDUCATION PARTNERS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wallin Education Partners
St. Paul, Minnesota

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wallin Education Partners and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wallin Education Partner's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wallin Education Partner's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wallin Education Partner's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Olsen Thielens & Co., Ltd.

Roseville, Minnesota
September 15, 2022

WALLIN EDUCATION PARTNERS

STATEMENT OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

ASSETS		
	2022	2021
ASSETS:		
Cash and Cash Equivalents	\$ 13,570,124	\$ 10,409,170
Investments	1,734,513	3,097,721
Pledges Receivable, Net	10,184,630	8,746,656
Interest and Other Receivable	23,646	5,746
Prepaid Expenses and Deposits	66,061	52,463
Operating Lease Right-of-Use Asset	172,509	–
Property & Equipment, Net	96,557	–
TOTAL ASSETS	\$ 25,848,040	\$ 22,311,756
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 129,476	\$ 19,903
Accrued Compensation and Benefits	366,447	277,264
Operating Lease Obligation	172,509	–
Total Liabilities	668,432	297,167
NET ASSETS:		
Without Donor Restrictions:		
Designated - Including Board Reserve	1,484,828	1,143,598
Undesignated	–	298,247
Total Without Donor Restrictions	1,484,828	1,441,845
With Donor Restrictions	23,694,780	20,572,744
Total Net Assets	25,179,608	22,014,589
TOTAL LIABILITIES AND NET ASSETS	\$ 25,848,040	\$ 22,311,756

he accompanying notes are an integral part of the financial statements.

WALLIN EDUCATION PARTNERS
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 368,232	\$ 10,503,922	\$ 10,872,154	\$ 360,552	\$ 7,914,071	\$ 8,274,623
Event and Other Income	-	-	-	6,250	-	6,250
Investment Income (Loss)	(13,323)	-	(13,323)	38,326	-	38,326
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	<u>7,381,886</u>	<u>(7,381,886)</u>	<u>-</u>	<u>6,614,708</u>	<u>(6,614,708)</u>	<u>-</u>
Total Support and Revenue	<u>7,736,795</u>	<u>3,122,036</u>	<u>10,858,831</u>	<u>7,019,836</u>	<u>1,299,363</u>	<u>8,319,199</u>
EXPENSES:						
Program Services:	6,446,894	-	6,446,894	6,066,966	-	6,066,966
Support Services:						
Management and General	556,421	-	556,421	351,845	-	351,845
Fundraising	690,497	-	690,497	497,681	-	497,681
Total Support Services	<u>1,246,918</u>	<u>-</u>	<u>1,246,918</u>	<u>849,526</u>	<u>-</u>	<u>849,526</u>
Total Expenses	<u>7,693,812</u>	<u>-</u>	<u>7,693,812</u>	<u>6,916,492</u>	<u>-</u>	<u>6,916,492</u>
CHANGE IN NET ASSETS	42,983	3,122,036	3,165,019	103,344	1,299,363	1,402,707
NET ASSETS at Beginning of Year	<u>1,441,845</u>	<u>20,572,744</u>	<u>22,014,589</u>	<u>1,338,501</u>	<u>19,273,381</u>	<u>20,611,882</u>
NET ASSETS at End of Year	<u>\$ 1,484,828</u>	<u>\$ 23,694,780</u>	<u>\$ 25,179,608</u>	<u>\$ 1,441,845</u>	<u>\$ 20,572,744</u>	<u>\$ 22,014,589</u>

he accompanying notes are an integral part of the financial statements.

WALLIN EDUCATION PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	2022				
	Total Program Services	Support Services		Total Support Services	Total All Services
		Management and General	Fundraising		
Salaries and Wages	\$ 1,384,558	\$ 257,632	\$ 454,646	\$ 712,278	\$ 2,096,836
Employee Benefits	111,241	42,162	32,766	74,928	186,169
Payroll Taxes	114,448	21,098	35,137	56,235	170,683
Total Personnel Costs	1,610,246	320,892	522,549	843,441	2,453,688
Scholarship Grants	4,490,698	–	–	–	4,490,698
Professional Fees and Contract Services	191,365	192,220	130,371	322,591	513,956
Office Expense	74,395	38,659	14,809	53,468	127,863
Meetings and Events	32,462	3,705	1,577	5,282	37,744
Other Expense and Uncollectibles	8,611	(2,108)	4,008	1,900	10,511
Insurance	10,803	(1,845)	2,569	724	11,527
Dues and Subscriptions	1,707	636	2,117	2,753	4,460
Staff Mileage and Travel	422	–	88	88	510
Marketing, Advertising and Promotion	4,716	386	7,935	8,321	13,037
Depreciation	21,469	3,876	4,473	8,349	29,818
Total Expenses	\$ 6,446,894	\$ 556,421	\$ 690,497	\$ 1,246,918	\$ 7,693,812

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

WALLIN EDUCATION PARTNERS

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED JUNE 30, 2021

	2021					
	Total Program Services	Support Services			Total Support Services	Total All Services
		Management and General	Fundraising			
Salaries and Wages	\$ 1,157,189	\$ 178,769	\$ 340,259	\$ 519,028	\$ 1,676,217	
Employee Benefits	92,746	55,116	25,480	80,596	173,342	
Payroll Taxes	91,438	12,615	24,669	37,284	128,722	
Total Personnel Costs	<u>1,341,373</u>	<u>246,500</u>	<u>390,408</u>	<u>636,908</u>	<u>1,978,281</u>	
Scholarship Grants	4,437,948	(115,000)	–	(115,000)	4,322,948	
Professional Fees and Contract Services	197,846	67,129	74,604	141,733	339,579	
Office Expense	72,412	24,943	21,053	45,996	118,408	
Meetings and Events	7,353	645	1,767	2,412	9,765	
Other Expense and Uncollectibles	3,653	125,352	3,539	128,891	132,544	
Insurance	5,088	898	1,497	2,395	7,483	
Dues and Subscriptions	807	1,336	1,404	2,740	3,547	
Staff Mileage and Travel	–	–	835	835	835	
Marketing, Advertising and Promotion	486	42	2,574	2,616	3,102	
Total Expenses	<u>\$ 6,066,966</u>	<u>\$ 351,845</u>	<u>\$ 497,681</u>	<u>\$ 849,526</u>	<u>\$ 6,916,492</u>	

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

WALLIN EDUCATION PARTNERS
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,165,019	\$ 1,402,707
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	29,818	–
Realized and Unrealized Investment Losses	72,275	39,415
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(1,437,974)	1,416,248
Interest and Other Receivable	(17,900)	1,704
Prepaid Expenses and Deposits	(13,598)	(14,563)
Accounts Payable	109,573	(32,733)
Accrued Compensation and Benefits	89,183	107,439
Net Cash Flows From Operating Activities	<u>1,996,396</u>	<u>2,920,217</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property & Equipment	(126,375)	–
Purchases of Investments	(3,189,118)	(4,890,621)
Proceeds from Sales of Investments	4,480,051	4,115,489
Net Cash Flows From Investing Activities	<u>1,164,558</u>	<u>(775,132)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	3,160,954	2,145,085
 CASH AND CASH EQUIVALENTS at Beginning of Year	<u>10,409,170</u>	<u>8,264,085</u>
 CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 13,570,124</u>	<u>\$ 10,409,170</u>
 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial Right of Use Asset and Lease Obligation Upon Lease Commitment	\$ 240,452	\$ –

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

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of Wallin Education Partners (the Organization) is to ensure college and career success for high potential students from low-income backgrounds, and through our efforts help build diverse, equitable, and vibrant communities. We do this through a comprehensive model of financial aid and holistic support, and collaboration with our business, education, community, and philanthropic partners.

The vision of the Organization is a future where all students have full access to college and career success, where every scholar can reach their full potential, and where our program helps build a more equitable society.

Wallin Education Partners believes that education is key to making our communities more equitable and recognizes that students have many paths to expand their education and career opportunities. Now in its 30th year, the Organization has served more than 6,000 scholars in four-year or two-year programs. Scholars receive significant financial support spread out over their time in college. Additionally, scholars receive professional, focused, one-on-one, individualized advising from day one through graduation; and access to community and career opportunities including internships, jobs, career fairs, and workshops.

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 for special initiatives and a board reserve fund to ensure the stability of the mission, programs, and ongoing operations of the organization. The Board Reserve Fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses or unanticipated loss in funding. The Board Reserve Fund may also be used for one-time, nonrecurring expenses, including but not limited to, staff development, research, program development or investment in infrastructure. The Board Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

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.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through September 15, 2022, 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.

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, 2022 and 2021.

Property and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals exceeding \$1,000 are capitalized. If items of property are sold, retires or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three years.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

Property and Depreciation (Continued)

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Information Technology Equipment	\$ 83,231	\$ —
Leasehold Improvements	34,001	—
Furniture and Equipment	<u>9,143</u>	<u>—</u>
Total	126,375	—
Less Accumulated Depreciation	<u>(29,818)</u>	<u>—</u>
Net Property and Equipment	<u>\$ 96,557</u>	<u>\$ —</u>

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.

Revenue Recognition

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.

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 and depreciation are allocated based on salaries and wages due to the nature of the Organization's hybrid office, including hoteling arrangements.
- 3) Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

Functional Allocation of Expense

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.

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.

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.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

Change in Accounting Principle

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies 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 and interim periods beginning after December 15, 2021, with early adoption permitted.

The Organization adopted this ASU in the first quarter of 2022, by using the optional transitional method associated with no adjustment to comparative period financial statements presented for prior periods. The Organization elected certain practical expedients, including the package of transition practical expedients. The Organization also made an accounting policy election to exempt short-term leases of 12 months or less from statement of financial position recognition requirements associated with the new standard fixed rental payments for short-term leases and will be recognized as a straight-line expense over the lease term.

The new standard did not have a significant effect on previously reported net assets.

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.

NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Certificates of Deposit	\$ -	\$ -	\$ 970,484	\$ 980,823
Short Term Treasury ETF	-	-	1,053,630	1,042,836
Vanguard Ultra Short Bond Fund	817,524	794,412	817,524	817,495
Vanguard Short-Term Corporate Bond Index Fund	580,761	580,761	-	-
Vanguard Short-Term Investment Grade Fund	207,466	193,998	203,262	206,596
Vanguard Total International Stock Index Fund	82,357	65,002	20,151	19,622
Vanguard Total Stock Market Index Fund	121,593	100,340	30,091	30,349
Total Investments at Fair Market Value	<u>\$ 1,809,701</u>	<u>\$ 1,734,513</u>	<u>\$ 3,095,142</u>	<u>\$ 3,097,721</u>

Investment income (loss) consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income	\$ 58,952	\$ 77,741
Unrealized Losses	(67,427)	(37,452)
Realized Losses	<u>(4,848)</u>	<u>(1,963)</u>
Investment Income (Loss)	<u>\$ (13,323)</u>	<u>\$ 38,326</u>

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

The following tables, as of June 30, 2022 and 2021, provide information by level for assets that are measured at fair value, on a recurring basis:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Vanguard Funds	\$ 1,734,513	\$ -	\$ -	\$ 1,734,513
Total Investments at Fair Market Value	\$ 1,734,513	\$ -	\$ -	\$ 1,734,513

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	\$ -	\$ 980,823	\$ -	\$ 980,823
Short-Term Treasury ETF	1,042,836	-	-	1,042,836
Vanguard Funds	1,074,062	-	-	1,074,062
Total Investments at Fair Market Value	\$ 2,116,898	\$ 980,823	\$ -	\$ 3,097,721

The fair value of the Organization's Vanguard Funds, and treasury ETF 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.

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 the purpose of investment policy, investment objective, general investment guidelines and permissible investments. All cash and cash equivalents and investments held by the Organization at June 30, 2022 are permissible investments per the Investment Policy.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 \$800,000.

The table below presents liquid financial assets available for general expenditure within one year at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 13,570,124	\$ 10,409,170
Investments	1,734,513	3,097,721
Pledges Receivable	10,184,630	8,746,656
Interest and Other Receivable	<u>23,646</u>	<u>5,746</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	<u>25,512,913</u>	<u>22,259,293</u>
Less Those Unavailable for General expenditures Within One Year, Due to Donor-Imposed Time or Purpose Restrictions or Board Designations	<u>(25,179,608)</u>	<u>(21,716,342)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 333,305</u>	<u>\$ 542,951</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. Per its financial policies, WEP maintains a board reserve equal to three to six months of average operating costs plus an estimated three percent of annual four-year scholarships provided. This target range for FY 2023 based on budget and student data is \$1,126,960 to \$2,151,155. As of June 30, 2022, the board reserve consists of cash and cash equivalents of \$1,002,483. The purpose of the Board Reserve Fund is to ensure the stability of the mission, programs and ongoing operations of the organization.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Pledges Receivable - Short Term	\$ 5,812,467	\$ 4,966,237
Pledges Receivable - Long-Term	4,623,753	3,986,139
Less Discount to Present Value at 4%	<u>(251,590)</u>	<u>(205,720)</u>
Total Pledges Receivable	<u>\$ 10,184,630</u>	<u>\$ 8,746,656</u>

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PLEDGES RECEIVABLE (Continued)

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

2023	\$ 5,812,467
2024	2,849,503
2025	1,545,500
2026	228,750
2027	<u>—</u>
	10,436,220
Less Discount at 4%	<u>(251,590)</u>
Total	<u>\$ 10,184,630</u>

NOTE 5 - NET ASSETS

Net assets with donor restrictions at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions:		
Program Support	\$ 6,286,799	\$ 5,743,467
Scholarships for Future Awards	15,323,241	14,072,075
Capacity Building	1,225,792	124,817
Community Outreach	350,000	294,875
Restricted-Non-Scholarship Funds	<u>508,948</u>	<u>337,510</u>
Total Net Assets with Donor Restrictions	<u>\$ 23,694,780</u>	<u>\$ 20,572,744</u>

Net assets with donor restrictions of \$7,381,886 and \$6,614,708 were released from restrictions in June 30, 2022 and 2021 due to satisfaction of program restrictions.

NOTE 6 - LEASE COMMITMENTS

The Organization leased its principal office in Edina, Minnesota. This lease agreement expired on July 31, 2021. Effective August 1, 2021, the Organization leases office space in St. Paul, Minnesota. This lease expires July 1, 2024. In addition to the required lease payments, the Organization also pays real estate taxes, repairs and maintenance, and insurance on leased property. Included in this footnote is a minor copier lease.

The weighted average remaining lease term for this operating lease is 2.1 years and the weighted average discount rate of this operating lease is 3.7%.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE COMMITMENTS (Continued)

Lease expense (included in Office Expense on Statement of Functional Expenses) and future minimum commitments including renewal options management is reasonably certain to exercise are as follows:

Expense:	
2022	\$ 79,355
2021	91,686
Commitments:	
2023	85,085
2024	87,280
2025	<u>7,149</u>
Total Lease Payments	179,514
Less Interest	<u>7,005</u>
Present Value of Lease Obligation	<u>172,509</u>
Statement of Financial Position	
Current Portion of Operatng Lease Obligation	85,085
Non-Current Portion of Lease Obligation	<u>87,424</u>
Present Value of Lease Obligation	<u>\$ 172,509</u>

NOTE 7- PENSION PLAN

The Organization contributes to a 401K Plan that covers those employees who meet eligibility requirements. Contributions of \$68,178 and \$55,604 were made in the years ended June 30, 2022 and 2021, respectively.

NOTE 8- MAJOR SOURCES OF SUPPORT AND REVENUE

During 2022 and 2021 five donors accounted for 58% and 61%, respectively, of recorded revenue. At June 30, 2022 and 2021, five donors accounted for 91% and 90% of the pledges receivable.