

Wallin Education Partners
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
EXHIBIT A: Statements of Activities and Change in Net Assets – For the Years Ended June 30, 2018 and 2017	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2018 with Comparative Totals for 2017	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30, 2017	4
EXHIBIT D: Statements of Financial Position – June 30, 2018 and 2017	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2018 and 2017	6
NOTES TO FINANCIAL STATEMENTS	7-13



Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
March 6, 2019

WALLIN EDUCATION PARTNERS
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions	\$ 1,212,079	\$ 7,526,260	\$ 8,738,339	\$ 600,215	\$ 5,147,176	\$ 5,747,391
Event Income	106,816	-	106,816	-	-	-
Event Expense	(36,922)	-	(36,922)	-	-	-
Net Event Income	69,894	-	69,894	-	-	-
Investment Income	35,545	-	35,545	23,480	-	23,480
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	4,396,789	(4,396,789)	-	4,151,685	(4,151,685)	-
Total Support and Revenue	5,714,307	3,129,471	8,843,778	4,775,380	995,491	5,770,871
Expense:						
Program Services	5,226,951	-	5,226,951	3,955,771	-	3,955,771
Support Services:						
Management & General	226,530	-	226,530	180,791	-	180,791
Fundraising	226,131	-	226,131	176,488	-	176,488
Total Support Services	452,661	-	452,661	357,279	-	357,279
Total Expense	5,679,612	-	5,679,612	4,313,050	-	4,313,050
Change in Net Assets	34,695	3,129,471	3,164,166	462,330	995,491	1,457,821
Net Assets - Beginning of Year	531,148	3,185,062	3,716,210	68,818	2,189,571	2,258,389
Net Assets - End of Year	\$ 565,843	\$ 6,314,533	\$ 6,880,376	\$ 531,148	\$ 3,185,062	\$ 3,716,210

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, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018				2017	
	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 625,240	\$ 147,115	\$ 147,115	\$ 294,230	\$ 919,470	\$ 739,032
Benefits	33,201	7,812	7,812	15,624	48,825	40,357
Payroll Taxes	59,013	13,885	13,885	27,770	86,783	63,812
Total Personnel Costs	717,454	168,812	168,812	337,624	1,055,078	843,201
Scholarship Grants	4,312,622	-	-	-	4,312,622	3,212,481
Office Expense	85,825	20,194	20,194	40,388	126,213	125,452
Other Expense	25,895	6,093	6,093	12,186	38,081	33,294
Marketing, Advertising and Promotion	31,002	7,294	7,294	14,588	45,590	32,137
Professional Fees and Contract Services	11,198	14,030	-	14,030	25,228	32,099
Insurance	7,156	1,684	1,684	3,368	10,524	10,044
Donor Relations	10,389	2,444	2,444	4,888	15,277	6,706
Fundraising	-	-	13,631	13,631	13,631	6,587
Staff Mileage and Travel	10,366	2,439	2,439	4,878	15,244	5,732
Conferences and Seminars	10,686	2,514	2,514	5,028	15,714	4,319
Dues and Subscriptions	4,358	1,026	1,026	2,052	6,410	998
Total Expense	\$ 5,226,951	\$ 226,530	\$ 226,131	\$ 452,661	\$ 5,679,612	\$ 4,313,050

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, 2017

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 502,542	\$ 118,245	\$ 118,245	\$ 236,490	\$ 739,032
Benefits	27,443	6,457	6,457	12,914	40,357
Payroll Taxes	43,392	10,210	10,210	20,420	63,812
Total Personnel Costs	573,377	134,912	134,912	269,824	843,201
Scholarship Grants	3,212,481	-	-	-	3,212,481
Office Expense	85,308	20,072	20,072	40,144	125,452
Other Expense	22,640	5,327	5,327	10,654	33,294
Marketing, Advertising and Promotion	21,853	5,142	5,142	10,284	32,137
Professional Fees and Contract Services	21,209	10,890	-	10,890	32,099
Insurance	6,830	1,607	1,607	3,214	10,044
Donor Relations	4,560	1,073	1,073	2,146	6,706
Fundraising	-	-	6,587	6,587	6,587
Staff Mileage and Travel	3,898	917	917	1,834	5,732
Conferences and Seminars	2,937	691	691	1,382	4,319
Dues and Subscriptions	678	160	160	320	998
Total Expense	\$ 3,955,771	\$ 180,791	\$ 176,488	\$ 357,279	\$ 4,313,050

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

WALLIN EDUCATION PARTNERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and Cash Equivalents	\$ 651,403	\$ 630,447
Short-Term Investments	3,106,325	2,866,704
Pledges Receivable - Current Portion	1,948,856	1,158,923
Interest Receivable	21,800	16,475
Prepaid Expense	20,613	23,884
Grants Receivable	10,000	125,000
Total Current Assets	<u>5,758,997</u>	<u>4,821,433</u>
Investments - Long-term	4,633,572	2,169,889
Pledges Receivable - Long-term	<u>4,925,231</u>	<u>3,205,349</u>
 TOTAL ASSETS	 <u>\$ 15,317,800</u>	 <u>\$ 10,196,671</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 10,892	\$ 19,722
Accrued Compensation	10,450	50,041
Scholarship Grants Payable - Current Portion	2,965,453	2,420,674
Total Current Liabilities	<u>2,986,795</u>	<u>2,490,437</u>
Scholarship Grants Payable - Long-term	5,450,629	3,990,024
Total Liabilities	<u>8,437,424</u>	<u>6,480,461</u>
Net Assets:		
Unrestricted	565,843	531,148
Temporarily Restricted	6,314,533	3,185,062
Total Net Assets	<u>6,880,376</u>	<u>3,716,210</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 15,317,800</u>	 <u>\$ 10,196,671</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 3,164,166	\$ 1,457,821
Total Adjustments	<u>(381,265)</u>	<u>1,163,174</u>
Net Cash Provided by Operating Activities	2,782,901	2,620,995
Cash Flows from Investing Activities:		
Purchase of Investments	(8,798,311)	(4,275,412)
Proceeds from Maturity of Investments	<u>6,036,366</u>	<u>1,340,714</u>
Net Cash (Used) by Investing Activities	(2,761,945)	(2,934,698)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,956	(313,703)
Cash and Cash Equivalents - Beginning of Year	<u>630,447</u>	<u>944,150</u>
Cash and Cash Equivalents - End of Year	<u>\$ 651,403</u>	<u>\$ 630,447</u>

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

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. 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:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – 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 or can be fulfilled and removed by actions pursuant to those stipulations.

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.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

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

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 temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted 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). The returns for the years ending June 30, 2015 and later remain subject to examination by the Internal Revenue Service.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. Summary of Significant Accounting Policies (continued)

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.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through March 6, 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 2018 and 2017, five donors accounted for 72% and 55%, respectively, of recorded revenue. At June 30, 2018 and 2017, five donors accounted for 82% and 76%, respectively, of pledges receivable.

4. Investments

Investments were comprised of the following as of:

	June 30,			
	2018		2017	
	Cost	Market	Cost	Market
At quoted market value:				
Certificates of Deposit	\$ 7,621,981	\$ 7,545,743	\$ 4,860,856	\$ 4,860,856
Vanguard Short-Term Bond Fund	200,093	194,154	200,093	198,237
Total	<u>\$ 7,822,074</u>	<u>\$ 7,739,897</u>	<u>\$ 5,060,949</u>	<u>\$ 5,036,593</u>

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

4. Investments (Continued)

Investment income was as follows as of:

	June 30,	
	2018	2017
Interest and Dividend Income	\$ 99,265	\$ 52,813
Realized (Loss)	(5,899)	(5,975)
Unrealized Gain (Loss)	<u>(57,821)</u>	<u>(23,358)</u>
	<u>\$ 35,545</u>	<u>\$ 23,480</u>

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, 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	-	<u>6,874,087</u>	-	<u>6,874,087</u>
Total	<u>\$ 7,739,897</u>	<u>\$ 6,874,087</u>	<u>\$ -</u>	<u>\$ 14,613,984</u>

June 30, 2017

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 4,838,356	\$ -	\$ -	\$ 4,838,356
Vanguard Short-Term Bond Fund	198,237	-	-	198,237
Pledges Receivable	-	<u>4,364,271</u>	-	<u>4,364,271</u>
Total	<u>\$ 5,036,593</u>	<u>\$ 4,364,271</u>	<u>\$ -</u>	<u>\$ 9,400,864</u>

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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>2018</u>	<u>2017</u>
2018	\$ -	\$ 1,222,961
2019	2,032,007	1,600,648
2020	2,252,596	1,140,346
2021	1,796,750	652,500
2022	<u>1,184,500</u>	<u>-</u>
	7,265,853	4,616,455
Less: Pledge receivable discount at 4%	<u>391,766</u>	<u>252,184</u>
	<u>\$ 6,874,087</u>	<u>\$ 4,364,271</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>2018</u>	<u>2017</u>
2018	\$ -	\$ 2,527,498
2019	3,108,160	1,963,500
2020	2,574,900	1,428,700
2021	2,021,000	849,000
2022	<u>1,200,900</u>	<u>-</u>
	8,904,960	6,768,698
Less: Grant payable discount at 4%	<u>488,878</u>	<u>358,000</u>
	<u>\$ 8,416,082</u>	<u>\$ 6,410,698</u>

8. Pension Plan

The Organization contributes to a Simple IRA Employee Pension Plan that covers those employees who meet eligibility requirements. Contributions of \$22,558 and \$19,060 were made in the years ended June 30, 2018 and 2017, respectively.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Future Year Operating Expense:		
Northstar Education Finance	\$ 1,163,000	\$ 450,000
Bush Foundation	550,000	-
Medtronic Foundation	165,000	167,500
Enterprise Education Foundation	154,500	132,750
US Bank	157,750	135,000
3M Foundation	64,750	58,500
General Mills	15,000	28,500
Travelers Foundation	2,250	6,750
Individual Donors	2,381,298	2,099,008
Future Scholarships:		
Bush Foundation	960,000	-
Individual Donors	432,000	-
Programmatic Replication/Expansion	213,985	-
Database Enhancement	55,000	-
Scholar Outcome Research	-	50,000
Organizational Development	-	35,554
25 th Anniversary	-	21,500
	<u>\$ 6,314,533</u>	<u>\$ 3,185,062</u>

10. Leased Facilities

Rental commitments under noncancelable lease for office space in effect at June 30, 2018, were \$93,186. 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>	
2019	\$ 44,291
2020	45,128
2021	<u>3,767</u>
Total	<u>\$ 93,186</u>

Rental expense was \$75,730 and \$75,970 for the years ended June 30, 2018 and 2017, respectively.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

11. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	June 30,	
	2018	2017
Long-Term Pledges Receivable	\$ (1,719,882)	\$ (513,663)
Scholarship Grants Payable	1,460,605	876,943
Contributed Securities	(5,079)	(167,640)
Unrealized Investment (Gains) Losses	57,821	23,358
Realized Investment Losses	5,899	5,975
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(8,830)	3,849
Accrued Compensation	(39,591)	13,605
Scholarship Grants Payable	544,779	342,445
Decreases (Increases) in Current Assets:		
Pledges Receivable	(789,933)	546,703
Interest Receivable	(5,325)	(9,805)
Prepaid Expense	3,271	(9,096)
Grants Receivable	115,000	50,500
Total Adjustments	\$ (381,265)	\$ 1,163,174