

Wallin Education Partners

Financial Statements Together with Independent Auditors' Report

June 30, 2024

WALLIN EDUCATION PARTNERS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-17

INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, 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 19, 2024

WALLIN EDUCATION PARTNERS

STATEMENT OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

ASSETS		
	<u>2024</u>	<u>2023</u>
ASSETS:		
Cash and Cash Equivalents	\$ 3,948,711	\$ 5,594,128
Investments	19,766,511	13,451,575
Pledges Receivable, Net	11,537,307	11,997,315
Interest and Other Receivable	62,945	12,848
Prepaid Expenses and Deposits	53,998	73,981
Operating Lease Right-of-Use Asset	263,718	93,522
Property and Equipment, Net	<u>41,521</u>	<u>86,949</u>
TOTAL ASSETS	<u>\$ 35,674,711</u>	<u>\$ 31,310,318</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 42,975	\$ 115,171
Accrued Compensation and Benefits	354,147	414,207
Operating Lease Obligation	263,718	93,522
Total Liabilities	<u>660,840</u>	<u>622,900</u>
NET ASSETS:		
Without Donor Restrictions:		
Designated - Including Board Reserve	4,924,879	4,522,122
Undesignated	201,739	207,955
Total Without Donor Restrictions	<u>5,126,618</u>	<u>4,730,077</u>
With Donor Restrictions	<u>29,887,253</u>	<u>25,957,341</u>
Total Net Assets	<u>35,013,871</u>	<u>30,687,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,674,711</u>	<u>\$ 31,310,318</u>

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

WALLIN EDUCATION PARTNERS
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 644,997	\$ 12,703,500	\$ 13,348,497	\$ 3,760,342	\$ 9,884,729	\$ 13,645,071
Event and Other Income	-	-	-	(20,888)	410,250	389,362
Investment Income	1,136,944	10,215	1,147,159	427,459	-	427,459
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	<u>8,783,803</u>	<u>(8,783,803)</u>	<u>-</u>	<u>8,032,418</u>	<u>(8,032,418)</u>	<u>-</u>
Total Support and Revenue	<u>10,565,744</u>	<u>3,929,912</u>	<u>14,495,656</u>	<u>12,199,331</u>	<u>2,262,561</u>	<u>14,461,892</u>
EXPENSES:						
Program Services:	8,819,854	-	8,819,854	7,642,125	-	7,642,125
Support Services:						
Management and General	712,373	-	712,373	552,377	-	552,377
Fundraising	636,976	-	636,976	759,580	-	759,580
Total Support Services	<u>1,349,349</u>	<u>-</u>	<u>1,349,349</u>	<u>1,311,957</u>	<u>-</u>	<u>1,311,957</u>
Total Expenses	<u>10,169,203</u>	<u>-</u>	<u>10,169,203</u>	<u>8,954,082</u>	<u>-</u>	<u>8,954,082</u>
CHANGE IN NET ASSETS	396,541	3,929,912	4,326,453	3,245,249	2,262,561	5,507,810
NET ASSETS at Beginning of Year	<u>4,730,077</u>	<u>25,957,341</u>	<u>30,687,418</u>	<u>1,484,828</u>	<u>23,694,780</u>	<u>25,179,608</u>
NET ASSETS at End of Year	<u>\$ 5,126,618</u>	<u>\$ 29,887,253</u>	<u>\$ 35,013,871</u>	<u>\$ 4,730,077</u>	<u>\$ 25,957,341</u>	<u>\$ 30,687,418</u>

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

WALLIN EDUCATION PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	2024				Total All Services
	Total Program Services	Support Services		Total Support Services	
		Management and General	Fundraising		
Salaries and Wages	\$ 2,405,596	\$ 439,617	\$ 372,510	\$ 812,127	\$ 3,217,723
Employee Benefits	241,501	53,973	38,232	92,205	333,706
Payroll Taxes	188,988	35,225	30,036	65,261	254,249
Total Personnel Costs	<u>2,836,085</u>	<u>528,815</u>	<u>440,778</u>	<u>969,593</u>	<u>3,805,678</u>
Scholarship Grants	5,278,080	-	-	-	5,278,080
Direct Student Support	65,903	-	-	-	65,903
Professional Fees and Contract Services	143,855	98,629	15,467	114,096	257,951
Office Expense	98,171	16,120	34,834	50,954	149,125
IT Expenses	113,090	19,812	48,400	68,212	181,302
Meetings and Events	99,338	2,286	23,791	26,077	125,415
Other Expense	81,143	16,993	2,780	19,773	100,916
Insurance	6,550	1,467	1,417	2,884	9,434
Dues and Subscriptions	10,013	1,099	1,149	2,248	12,261
Professional Development	20,006	8,591	3,642	12,233	32,239
Staff Mileage and Travel	18,276	1,235	305	1,540	19,816
Marketing, Advertising, and Promotion	8,563	10,369	55,589	65,958	74,521
Depreciation	40,781	6,957	8,824	15,781	56,562
Total Expenses	<u>\$ 8,819,854</u>	<u>\$ 712,373</u>	<u>\$ 636,976</u>	<u>\$ 1,349,349</u>	<u>\$ 10,169,203</u>

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

WALLIN EDUCATION PARTNERS

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED JUNE 30, 2023

	2023				
	Total Program Services	Support Services		Total Support Services	Total All Services
		Management and General	Fundraising		
Salaries and Wages	\$ 2,026,718	\$ 354,048	\$ 523,486	\$ 877,534	\$ 2,904,252
Employee Benefits	197,929	54,141	41,196	95,337	293,266
Payroll Taxes	<u>153,451</u>	<u>25,045</u>	<u>36,770</u>	<u>61,815</u>	<u>215,266</u>
Total Personnel Costs	2,378,098	433,234	601,452	1,034,686	3,412,784
Scholarship Grants	4,711,995	–	–	–	4,711,995
Professional Fees and Contract Services	309,115	79,716	97,576	177,292	486,407
Office Expense	95,527	18,954	25,402	44,356	139,883
Meetings and Events	90,116	8,020	13,621	21,641	111,757
Other Expense	1,689	4,341	–	4,341	6,030
Insurance	7,272	980	1,246	2,226	9,498
Dues and Subscriptions	821	814	416	1,230	2,051
Staff Mileage and Travel	3,103	13	381	394	3,497
Marketing, Advertising and Promotion	7,554	857	12,562	13,419	20,973
Depreciation	<u>36,835</u>	<u>5,448</u>	<u>6,924</u>	<u>12,372</u>	<u>49,207</u>
 Total Expenses	 <u>\$ 7,642,125</u>	 <u>\$ 552,377</u>	 <u>\$ 759,580</u>	 <u>\$ 1,311,957</u>	 <u>\$ 8,954,082</u>

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

WALLIN EDUCATION PARTNERS

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,326,453	\$ 5,507,810
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	56,562	49,207
Realized and Unrealized Investment (Gains) Losses	(560,033)	(207,454)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	460,008	(1,812,685)
Interest and Other Receivable	(50,097)	8,722
Prepaid Expenses and Deposits	19,983	(7,920)
Accounts Payable	(72,196)	(14,305)
Accrued Compensation and Benefits	(60,060)	47,760
Net Cash Flows From Operating Activities	4,120,620	3,571,135
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property & Equipment	(11,134)	(39,599)
Purchases of Investments	(6,376,324)	(11,803,500)
Proceeds from Sales of Investments	621,421	295,968
Net Cash Flows From Investing Activities	(5,766,037)	(11,547,131)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,645,417)	(7,975,996)
CASH AND CASH EQUIVALENTS at Beginning of Year	5,594,128	13,570,124
CASH AND CASH EQUIVALENTS at End of Year	\$ 3,948,711	\$ 5,594,128

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. The Organization knows that college and career success doesn't look the same for everyone and has created multiple pathways for the diverse community of Wallin scholars. Over 30 years, 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 Trustees 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 19, 2024, 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 the 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, 2024 and 2023.

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, retired 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:

	2024	2023
Information Technology Equipment	\$ 123,409	\$ 112,275
Leasehold Improvements	34,001	34,001
Furniture and Equipment	19,697	19,697
Total	177,107	165,973
Less Accumulated Depreciation	(135,586)	(79,024)
Net Property and Equipment	\$ 41,521	\$ 86,949

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.

Included in investments on the statement of financial position are money market funds held in brokerage accounts. The money market funds are readily convertible to cash and are stated at cost plus accrued interest, which approximates fair value.

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.

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.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

Functional Allocation of Expense

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.

Endowments

The Organization follows the provisions of the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered donor restricted net assets.

WALLIN EDUCATION PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments consist of the following at June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money Market Funds	\$ 2,876,142	\$ 2,893,002	\$ 3,355,507	\$ 3,355,507
Short Term U.S Treasury Bills	11,682,252	11,813,906	8,005,199	8,197,959
Certificates of Deposit	2,000,000	2,000,708	–	–
Vanguard Ultra Short Bond Fund	1,062,580	1,041,792	817,524	801,996
Vanguard Short-Term Corporate Bond Index Fund	743,854	745,617	718,225	704,641
Vanguard Total World Stock Index Fund	1,183,084	1,271,485	–	–
Vanguard Short-Term Investment Grade Fund	–	–	212,467	197,063
Vanguard Total International Stock Index Fund	–	–	84,438	73,007
Vanguard Total Stock Market Index Fund	–	–	123,371	119,326
Total Investments at Fair Market Value	<u>\$ 19,547,912</u>	<u>\$ 19,766,511</u>	<u>\$ 13,316,731</u>	<u>\$ 13,449,499</u>

Investment income consists of the following June 30:

	<u>2024</u>	<u>2023</u>
Interest and Dividend Income	\$ 587,126	\$ 220,005
Unrealized Gains	68,973	207,956
Realized Gains (Losses)	<u>491,060</u>	<u>(502)</u>
Investment Income	<u>\$ 1,147,159</u>	<u>\$ 427,459</u>

The following tables, as of June 30, 2024 and 2023, provide information by level for assets that are measured at fair value, on a recurring basis:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 2,893,002	\$ –	\$ –	\$ 2,893,002
Short Term U.S. Treasury Bills	–	11,813,906	–	11,813,906
Certificates of Deposit	2,000,708	–	–	2,000,708
Vanguard Funds	<u>3,058,894</u>	<u>–</u>	<u>–</u>	<u>3,058,894</u>
Total Investments at Fair Market Value	<u>\$ 7,952,604</u>	<u>\$ 11,813,906</u>	<u>\$ –</u>	<u>\$ 19,766,511</u>
	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 3,355,507	\$ –	\$ –	\$ 3,355,507
Short Term U.S. Treasury Bills	–	8,197,959	–	8,197,959
Vanguard Funds	<u>1,896,033</u>	<u>–</u>	<u>–</u>	<u>1,896,033</u>
Total Investments at Fair Market Value	<u>\$ 5,251,540</u>	<u>\$ 8,197,959</u>	<u>\$ –</u>	<u>\$ 13,449,499</u>

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

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

The fair values of the Organization's treasury bills and certificates of deposit were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

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 Trustees 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, 2024 and 2023 are permissible investments per the Investment Policy.

The Board of Trustees meets annually to review and approve the annual budget. The Board of Trustees 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 \$1,200,000.

The table below presents liquid financial assets available for general expenditure within one year at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 3,948,711	\$ 5,594,128
Investments	19,766,511	13,451,575
Pledges Receivable	11,537,307	11,997,315
Interest and Other Receivable	<u>62,945</u>	<u>12,848</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	<u>35,315,474</u>	<u>31,055,866</u>
Less Those Unavailable for General expenditures Within One Year, Due to Donor-Imposed Time or Purpose Restrictions or Board Designations	<u>(34,812,132)</u>	<u>(30,479,463)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 503,342</u>	<u>\$ 576,403</u>

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

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

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 target equal to three to six months of average operating costs. This target range for FY 2024 based on budget and student data is \$1,530,000 to \$3,060,000. As of June 30, 2024, the board reserve consists of cash and cash equivalents of \$1,275,889. 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:

	<u>2024</u>	<u>2023</u>
Pledges Receivable - Short Term	\$ 6,703,829	\$ 6,569,102
Pledges Receivable - Long-Term	5,111,538	5,803,174
Less Discount to Present Value at 4%	<u>(278,060)</u>	<u>(374,960)</u>
Total Pledges Receivable	<u>\$ 11,537,307</u>	<u>\$ 11,997,316</u>

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

2025	\$ 6,703,829
2026	3,258,038
2027	1,566,750
2028	229,250
2029	40,250
2030	11,500
Thereafter	<u>5,750</u>
	11,815,367
Less Discount at 4%	<u>(278,060)</u>
Total	<u>\$ 11,537,307</u>

NOTE 5 - NET ASSETS

Net assets with donor restrictions June 30, consist of the following:

	<u>2024</u>	<u>2023</u>
Purpose Restrictions:		
Program Support	\$ 7,246,381	\$ 7,154,212
Scholarships for Future Awards	18,779,922	17,593,017
Capacity Building	106,972	541,867
Community Outreach	96,744	146,744
Restricted Program Funds	2,537,888	426,365
Endowment Funds	<u>1,119,346</u>	<u>95,136</u>
Total Net Assets with Donor Restrictions	<u>\$ 29,887,253</u>	<u>\$ 25,957,341</u>

Net assets with donor restrictions of \$8,783,803 and \$8,032,418 were released from restrictions in June 30, 2024 and 2023 due to satisfaction of program restrictions.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS

The purpose of the endowment funds are to provide grants and scholarships for higher education, holistic advising support, and other programming. The Organization's endowments consist of donor-restricted endowment funds and funds designated by the Board of Trustees. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Wallin Education Partners interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. The donors of the Organization's endowment funds have permitted an appropriation policy of spending approximately five percent of the perpetual endowment fund's market value annually, based on a 12-quarter average value. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. Term-endowed spending is limited to 20% of the book value plus appreciation, with a goal of spending all funds within 10 years.

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than 105% of the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. However, per the investment policy, no distributions will be made if the value is below 105% of book value. There are no funds currently underwater.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds as detailed in the Board-approved endowment and investment policies:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Board of Trustees has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. This is accomplished through a strategic plan that strives to maintain and grow the investment corpus and provide annual earnings to support the Organization's mission. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return within reasonable and prudent levels of risk. The Organization targets a diversified asset allocation plan, sets performance benchmarks, and has established various asset quality and limitation thresholds.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS (Continued)

UPMIFA permits the prudent expenditure of donor restricted endowment funds. The Organization has approved an appropriation policy of spending approximately five percent of the perpetual endowment fund's market value annually, based on a 12-quarter average value. Term-endowed spending is limited to 20% of the book value plus appreciation, with a goal of spending all funds within 10 years.

The Board of Trustees of the Organization annually reviews and approves the amount to be distributed from endowment assets for the next fiscal year.

Changes in endowment net assets for the years ended June 30, 2024 and 2023, are as follows:

	With Donor Restrictions		Total
	Term	Perpetual	
Endowment Net Assets, June 30, 2022	\$ —	\$ —	\$ —
Investment Income Reclassification	—	—	—
Investment Gains	—	—	—
Dividend and Interest Income, Net	—	—	—
Contributions	—	95,136	95,136
Appropriation of Endowment			
Assets for Expenditure	—	—	—
Endowment Net Assets, June 30, 2023	—	95,136	95,136
Investment Income Reclassification	—	—	—
Investment Gains	—	—	—
Dividend and Interest Income, Net	10,215	—	10,215
Contributions	1,008,995	5,000	1,013,995
Appropriation of Endowment			
Assets for Expenditure	—	—	—
Endowment Net Assets, June 30, 2024	\$ 1,019,210	\$ 100,136	\$ 1,119,346

NOTE 7 - LEASE COMMITMENTS

Effective August 1, 2021, the Organization leases office space in St. Paul, Minnesota. This lease was amended in 2024 and expires July 31, 2027. 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. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The weighted average remaining lease term for this operating lease is 3.1 years and the weighted average discount rate of this operating lease is 5.3%.

WALLIN EDUCATION PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LEASE COMMITMENTS (Continued)

Operating lease costs (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:

Operating Lease Costs:

2024	\$ 85,568
2023	83,177

Commitments:

2025	\$ 87,357
2026	89,104
2027	90,886
2028	<u>7,586</u>

Total Lease Payments	274,933
Less Imputed Interest	<u>11,215</u>

Present Value of Lease Obligation	<u>\$ 263,718</u>
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NOTE 8 - PENSION PLAN

The Organization contributes to a 401K Plan that covers those employees who meet eligibility requirements. Contributions of \$101,416 and \$87,657 were made in the years ended June 30, 2024 and 2023, respectively.

NOTE 9 - MAJOR SOURCES OF SUPPORT AND REVENUE

During 2024 and 2023 three donors accounted for 66% and 62%, respectively, of recorded revenue. At June 30, 2024 and 2023, five donors accounted for 86% and 89% of the pledges receivable.

NOTE 10 - ACQUISITION

On June 8, 2023, the Organization entered into an Asset Transfer Agreement with UpTurnships, Inc., a Minnesota nonprofit corporation. The effective date of the agreement was July 1, 2023. UpTurnships was a Section 501(c)(3) public charity with a mission to empower student voices through culturally responsive work readiness training and coaching while working with employers in their efforts to be more culturally inclusive and equitable. UpTurnships was subsequently dissolved after the acquisition on July 1, 2023. Any assets transferred to Wallin Education Partners as a part of this acquisition were not material to the financial statements.