

**PROPEL NONPROFITS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED MARCH 31, 2020 AND 2019**

**PROPEL NONPROFITS  
TABLE OF CONTENTS  
YEARS ENDED MARCH 31, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>5</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF FINANCIAL POSITION BY FUND</b>	<b>26</b>
<b>SCHEDULE OF ACTIVITIES BY FUND</b>	<b>28</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Propel Nonprofits  
Minneapolis, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Propel Nonprofits (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, 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.

### ***Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

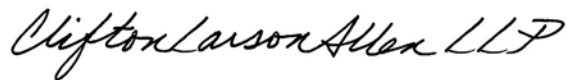
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Propel Nonprofits as of March 31, 2020 and 2019, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information – Schedule of Financial Position and Activities by Fund*

Our audit as of and for the year ended March 31, 2020 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of financial position by fund and activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
August 26, 2020

**PROPEL NONPROFITS  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2020 AND 2019**

	March 31, 2020			March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 7,715,888	\$ 1,821,446	\$ 9,537,334	\$ 5,514,079	\$ 1,463,534	\$ 6,977,613
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$5,850 in 2020 and \$5,300 in 2019	167,785	1,370,067	1,537,852	125,277	831,671	956,948
Loans Receivable, Net of Allowance of \$385,460 in 2020 and \$287,294 in 2019	9,059,937	-	9,059,937	7,415,427	-	7,415,427
Loan Interest Receivable	107,362	-	107,362	42,877	-	42,877
Prepays	122,812	-	122,812	89,233	-	89,233
Total Current Assets	<u>17,173,784</u>	<u>3,191,513</u>	<u>20,365,297</u>	<u>13,186,893</u>	<u>2,295,205</u>	<u>15,482,098</u>
<b>NONCURRENT ASSETS</b>						
Loans Receivable, Net of Allowance of \$1,208,870 in 2020 and \$1,307,035 in 2019	19,360,154	-	19,360,154	21,394,305	-	21,394,305
Other Real Estate Owned, Net	-	-	-	60,811	-	60,811
Certificates of Deposit	100,000	84,349	184,349	-	393,993	393,993
Fixed Assets, Net of Depreciation	818,022	-	818,022	946,452	-	946,452
Total Noncurrent Assets	<u>20,278,176</u>	<u>84,349</u>	<u>20,362,525</u>	<u>22,401,568</u>	<u>393,993</u>	<u>22,795,561</u>
Total Assets	<u>\$ 37,451,960</u>	<u>\$ 3,275,862</u>	<u>\$ 40,727,822</u>	<u>\$ 35,588,461</u>	<u>\$ 2,689,198</u>	<u>\$ 38,277,659</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**MARCH 31, 2020 AND 2019**

	March 31, 2020			March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Notes Payable	\$ 1,799,042	\$ -	\$ 1,799,042	\$ 1,402,749	\$ -	\$ 1,402,749
Accounts Payable and Accrued Expenses	282,634	-	282,634	312,813	-	312,813
Capital Lease Obligation	14,786	-	14,786	5,645	-	5,645
Interest Payable	103,390	-	103,390	73,192	-	73,192
Deferred Revenue	576,190	-	576,190	10,675	-	10,675
Deferred Rent Credit	31,570	-	31,570	31,570	-	31,570
Funds Managed for Fiscally-Sponsored Clients	1,080,943	-	1,080,943	1,133,697	-	1,133,697
Total Current Liabilities	<u>3,888,555</u>	<u>-</u>	<u>3,888,555</u>	<u>2,970,341</u>	<u>-</u>	<u>2,970,341</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable	21,721,580	-	21,721,580	21,347,101	-	21,347,101
Capital Lease Obligation	22,007	-	22,007	17,435	-	17,435
Deferred Rent Credit	213,100	-	213,100	244,670	-	244,670
Total Long-Term Liabilities	<u>21,956,687</u>	<u>-</u>	<u>21,956,687</u>	<u>21,609,206</u>	<u>-</u>	<u>21,609,206</u>
Total Liabilities	25,845,242	-	25,845,242	24,579,547	-	24,579,547
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Undesignated	11,606,718	-	11,606,718	11,008,914	-	11,008,914
With Donor Restrictions	-	3,275,862	3,275,862	-	2,689,198	2,689,198
Total Net Assets	<u>11,606,718</u>	<u>3,275,862</u>	<u>14,882,580</u>	<u>11,008,914</u>	<u>2,689,198</u>	<u>13,698,112</u>
Total Liabilities and Net Assets	<u>\$ 37,451,960</u>	<u>\$ 3,275,862</u>	<u>\$ 40,727,822</u>	<u>\$ 35,588,461</u>	<u>\$ 2,689,198</u>	<u>\$ 38,277,659</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2020 AND 2019**

	March 31, 2020			March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Gifts and Grants	\$ 548,395	\$ 5,154,963	\$ 5,703,358	\$ 1,192,223	\$ 4,406,174	\$ 5,598,397
Loan Interest Income	1,720,223	-	1,720,223	1,590,053	-	1,590,053
Loan Fee Revenue	108,268	-	108,268	98,277	-	98,277
Program Revenue	743,423	-	743,423	835,251	-	835,251
Investment Income	80,433	-	80,433	25,344	-	25,344
Other Income	(15,811)	-	(15,811)	-	-	-
Net Assets Released from Restrictions	4,568,299	(4,568,299)	-	4,227,512	(4,227,512)	-
Total Revenues	<u>7,753,230</u>	<u>586,664</u>	<u>8,339,894</u>	<u>7,968,660</u>	<u>178,662</u>	<u>8,147,322</u>
<b>EXPENSES</b>						
Program Service:						
Training, Guidance, and Knowledge Sharing	825,599	-	825,599	655,866	-	655,866
Lending	1,539,076	-	1,539,076	1,706,720	-	1,706,720
Strategic Services	703,899	-	703,899	1,044,548	-	1,044,548
Accounting and Finance Services	352,013	-	352,013	575,368	-	575,368
FS and Incorporation Services	2,753,602	-	2,753,602	2,613,186	-	2,613,186
Total Program Services	<u>6,174,189</u>	<u>-</u>	<u>6,174,189</u>	<u>6,595,688</u>	<u>-</u>	<u>6,595,688</u>
Core Mission Support: Management and General	829,144	-	829,144	756,837	-	756,837
Core Mission Support: Fundraising	152,093	-	152,093	126,575	-	126,575
Total Expenses	<u>7,155,426</u>	<u>-</u>	<u>7,155,426</u>	<u>7,479,100</u>	<u>-</u>	<u>7,479,100</u>
<b>CHANGE IN NET ASSETS</b>	597,804	586,664	1,184,468	489,560	178,662	668,222
Net Assets - Beginning of Year	<u>11,008,914</u>	<u>2,689,198</u>	<u>13,698,112</u>	<u>10,519,354</u>	<u>2,510,536</u>	<u>13,029,890</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,606,718</u>	<u>\$ 3,275,862</u>	<u>\$ 14,882,580</u>	<u>\$ 11,008,914</u>	<u>\$ 2,689,198</u>	<u>\$ 13,698,112</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MARCH 31, 2020**

	Program Services					Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	Management and General	Fundraising	Subtotal	
<b>EXPENSES</b>										
Personnel Expenses	\$ 558,394	\$ 539,633	\$ 415,957	\$ 273,813	\$ 186,055	\$ 1,973,852	\$ 575,120	\$ 105,323	\$ 680,443	\$ 2,654,295
Contracted Services	95,060	16,620	23,568	2,650	1,379	139,277	100,766	18,000	118,766	258,043
Grants to Other Entities	-	70,206	164,095	-	2,519,495	2,753,796	-	-	-	2,753,796
Capital Support to Nonprofits	-	215,833	-	-	-	215,833	-	-	-	215,833
Occupancy	65,239	60,462	46,151	30,681	20,735	223,268	63,335	10,659	73,994	297,262
Equipment and Technology Expense	48,015	51,238	32,032	30,762	15,193	177,240	45,932	7,156	53,088	230,328
Travel Expenses	9,912	6,512	4,608	474	1,549	23,055	5,535	6,965	12,500	35,555
Meeting Expenses	21,344	8,408	2,783	432	1,172	34,139	2,547	1,748	4,295	38,434
Marketing and Communications Expenses	10,820	5,586	3,579	2,106	1,596	23,687	572	815	1,387	25,074
Other Operating Expenses	16,815	12,243	11,126	10,247	6,430	56,861	35,260	1,427	36,687	93,548
Interest Expense on Debt	-	535,803	-	-	-	535,803	-	-	-	535,803
Provision for Loan Loss Reserve	-	-	-	-	-	-	-	-	-	-
Other Filing and Fee Expense	-	16,530	-	848	-	17,378	77	-	77	17,455
Total Direct Expenses	825,599	1,539,074	703,899	352,013	2,753,604	6,174,189	829,144	152,093	981,237	7,155,426
Administrative Allocation	227,762	214,684	165,484	108,597	76,331	792,858	(829,144)	36,286	(792,858)	-
Fundraising Allocation	51,116	53,196	36,940	28,916	18,211	188,379	-	(188,379)	(188,379)	-
True Program Costs	<u>\$ 1,104,477</u>	<u>\$ 1,806,954</u>	<u>\$ 906,323</u>	<u>\$ 489,526</u>	<u>\$ 2,848,146</u>	<u>\$ 7,155,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,155,426</u>

See accompanying Notes to Financial Statements.



**PROPEL NONPROFITS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MARCH 31, 2019**

	Program Services					Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	Management and General	Fundraising	Subtotal	
<b>EXPENSES</b>										
Personnel Expenses	\$ 450,148	\$ 616,216	\$ 317,882	\$ 440,306	\$ 146,782	\$ 1,971,334	\$ 519,557	\$ 101,947	\$ 621,504	\$ 2,592,838
Contracted Services	51,208	11,166	19,166	22,270	4,783	108,593	102,648	-	102,648	211,241
Grants to Other Entities	30,000	201,795	637,429	-	2,416,997	3,286,221	-	-	-	3,286,221
Capital Support to Nonprofits	-	174,167	-	-	-	174,167	-	-	-	174,167
Occupancy	44,008	60,662	31,026	47,769	18,659	202,124	52,537	9,836	62,373	264,497
Equipment and Technology Expense	36,248	48,692	24,546	46,515	14,759	170,760	41,986	8,126	50,112	220,872
Travel Expenses	11,470	11,280	3,905	887	3,324	30,866	2,779	2,200	4,979	35,845
Meeting Expenses	9,107	9,653	933	641	1,028	21,362	4,653	1,587	6,240	27,602
Marketing and Communications Expenses	10,248	8,148	3,056	4,087	1,670	27,209	180	957	1,137	28,346
Other Operating Expenses	13,429	13,330	6,605	8,353	5,174	46,891	32,482	1,922	34,404	81,295
Interest Expense on Debt	-	428,139	-	-	-	428,139	-	-	-	428,139
Provision for Loan Loss Reserve	-	113,326	-	-	-	113,326	-	-	-	113,326
Other Filing and Fee Expense	-	10,146	-	4,540	10	14,696	15	-	15	14,711
Total Direct Expenses	655,866	1,706,720	1,044,548	575,368	2,613,186	6,595,688	756,837	126,575	883,412	7,479,100
Administrative Allocation	163,903	209,266	111,800	171,116	66,724	722,809	(756,837)	34,028	(722,809)	-
Fundraising Allocation	36,433	46,496	24,988	37,815	14,871	160,603	-	(160,603)	(160,603)	-
True Program Costs	\$ 856,202	\$ 1,962,482	\$ 1,181,336	\$ 784,299	\$ 2,694,781	\$ 7,479,100	\$ -	\$ -	\$ -	\$ 7,479,100

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,184,468	\$ 668,222
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	194,963	198,523
Provision for Loan Loss Reserve	-	113,326
Amortization of Note Payable Commitment Fee	1,420	1,084
Gain on Sale of Fixed Assets	-	-
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	(580,904)	711,651
Loan Interest Receivable	(64,485)	36,627
Prepays	(33,579)	1,997
Accounts Payable and Accrued Expenses	(30,179)	1,640
Interest Payable	30,198	(14,353)
Deferred Revenue	565,515	1,800
Deferred Rent Credit	(31,570)	(31,571)
Cash Receipts on Behalf of Fiscally Sponsored Clients	3,221,877	3,124,514
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(3,274,632)	(2,986,883)
Net Cash Provided by Operating Activities	1,183,092	1,826,577
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable Principal Advanced	(13,152,454)	(15,962,029)
Loan Receivable Repayments	13,327,801	8,782,759
Loan Forgiveness - Equity Builder Program	215,833	174,167
Loan Receivable - Capitalized Interest	(1,539)	(41,704)
Purchase of Fixed Assets	(58,532)	(67,222)
Net Change in Certificates of Deposit	209,644	-
Net Cash Provided (Used) by Investing Activities	601,564	(7,114,029)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Notes Payable	5,996,758	7,540,449
Principal Payments on Notes Payable	(5,141,701)	(2,149,656)
Note Payable Commitment Fee	-	(10,504)
Note Payable Equipment Financing Principal Payments	(93,705)	-
Capital Lease Obligation Additions	18,436	-
Principal Payments on Capital Lease Obligation	(4,723)	7,749
Net Cash Provided by Financing Activities	775,065	5,388,038
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,559,721	100,586
Cash and Cash Equivalents - Beginning of Year	6,977,613	6,877,027
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 9,537,334	\$ 6,977,613
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Payments for Interest During the Year	\$ 510,651	\$ 442,492

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits (Propel) serves nonprofits in Minnesota and neighboring states. Propel Nonprofits' programs are as follows:

Program and Operations – As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel Nonprofits makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements.

Propel Nonprofits provides a wide range of integrated programs and services for nonprofit organizations. Programs provide strategic consulting services, accounting and financial services, and support for startup organizations through fiscal sponsorship. Technical assistance helps organizations understand their financial situation, strategy, and board governance, identify priorities, and develop a plan of action for the near and long-term future. Propel Nonprofits' education and training program provides workshops on topics related to board governance, financial management, and leadership for directors, board members, and staff and volunteers. Propel Nonprofits hosts an annual Nonprofit Finance and Sustainability Conference. Other knowledge sharing activities include developing and distributing articles, guidance, templates, and analysis on topics relevant for nonprofits for managing and planning financial practices, planning, governance, and strategy.

History – On December 31, 2016, Nonprofits Assistance Fund and MAP for Nonprofits merged, with Nonprofits Assistance Fund as the surviving corporate entity. The business combination was treated as an acquisition and the FY2017 audited financial statements provide details of the related accounting. In October 2017, the merged entity officially changed its name to Propel Nonprofits. The rebranding process was the culmination of extensive board, staff, and professional consideration of the new culture and identity that the merged organization would carry forward. Amendments of the corporation's Articles of Incorporation and Bylaws were filed and certified with the state of Minnesota on October 2, 2017.

Tax-Exempt Status – Propel Nonprofits was originally created as a Type I supporting organization of The Minneapolis Foundation. In May 2017, then Nonprofits Assistance Fund submitted a request for determination by the Internal Revenue Service (IRS) to reclassify its status to that of an organization described in Code Sections 509(a)(1) and 170(B)(1)(A)(vi). On September 1, 2017, the IRS issued a letter stating that then Nonprofits Assistance Fund met the requirements for classification as a public charity. After the October name change, Propel Nonprofits requested and received an updated determination letter from the IRS dated November 15, 2017 confirming that the renamed organization, now officially Propel Nonprofits, was determined to be a public charity.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at our disposal to meet those lending needs. Loans made to nonprofits range from \$20,000 to \$1,000,000, and loan clients are organizations of all sizes and stages of development.

Fiscal Sponsorship Fund – Acting as a fiscal sponsor offers support and oversight to emerging organizations and a pathway for charitable giving that helps develop innovative responses to unmet community needs.

**Tax Exempt Status**

Propel Nonprofits is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code (IRC). It has been classified as a public charity that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. Propel Nonprofits is also exempt from state income taxes. Propel Nonprofits evaluated its tax positions and determined that it has no uncertain tax positions.

**Financial Statement Presentation**

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of Propel Nonprofits and changes therein are classified and reported as:

Net Assets Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of Propel Nonprofits or by the passage of time.

Propel Nonprofits has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class. Propel Nonprofits has no permanently restricted net assets as of March 31, 2020 and 2019.

**Basis of Accounting**

The accompanying financial statements of Propel Nonprofits are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

Propel Nonprofits classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents. Propel Nonprofits maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Certificates of Deposit**

Certificates of deposit are carried at cost, which approximates fair value due to the short-term nature of the certificates.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. The allowance for doubtful accounts was \$5,850 and \$5,300 as of March 31, 2020 and 2019, respectively. Propel Nonprofits saw a reduction in the allowance for doubtful accounts because of management's focus on the aging receivables. Management estimates this allowance of \$5,850 to be appropriate to the current quality of receivables.

**Loans Receivable**

The loans receivable consist of notes with interest rates ranging from 2% to 7% with maturities through 2044. The board of directors has adopted a loan loss reserve policy. A loan loss reserve is maintained that is considered adequate to absorb losses inherent in the loan portfolio. Propel Nonprofits provides an allowance for uncollectible loans using the allowance method as well as a specific identification method. Interest income is not accrued on loans that are considered to be nonperforming. Various loans are secured by business assets or real-estate collateral.

**Other Real Estate Owned**

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell. Subsequent to recording the asset, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expense from operations and changes in the valuation are included in the Other Income and/or Program Expense line items of the statements of activities.

**Revenue Recognition**

Revenue recognition treatment is determined on a case-by-case basis in accordance with generally accepted accounting principles. The major revenue streams of Propel and corresponding revenue recognition treatment is as follows:

Loan Servicing Revenue – Loan interest and fees are generated from outstanding or originated loans and are recognized ratably over the duration of the loan or as services are performed.

Gifts and Grants – Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are considered to be without donor restriction unless specifically communicated by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. When restrictions are fulfilled in the same time period as the contribution is received, Propel Nonprofits presents such contributions in the net assets without donor restrictions class.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Gifts and Grants (Continued)

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Propel received advances on contracts of \$565,000 that have not been recognized as March 31, 2020 because qualifying expenditures have not yet been incurred and are shown as Deferred Revenue. Additionally, Propel received cost reimbursable contracts of \$175,000 that will be recognized as revenue in the future once eligible expenses have been incurred. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Propel will record such disallowance at the time the final assessment is made.

Program Revenue – Program revenue includes various service fees charged to individuals and independent organizations who partner with Propel on short-term projects related to its overall mission. Such revenue might include consulting, training, bookkeeping or management services performed by Propel. The fees for these services are agreed upon through contracts which are based on identified performance obligations at a set price or rate. Propel recognizes the revenue as the performance obligations are met under the contract.

**Notes Payable with Below-Market Interest Rates**

After evaluation, it was determined that there is no material difference between prevailing community development finance market rates and the stated rate of any loans, notes payable, or other liabilities in Propel Nonprofits' portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2020 or 2019 respectively.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment**

All major expenditures \$1,000 or more for equipment are capitalized at cost. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulation, contributions of equipment are recorded as without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which Propel Nonprofits delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

**Fair Value Measurements**

Propel Nonprofits categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with accounting standards. Propel Nonprofits does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or nonrecurring basis.

**Change in Accounting Principles**

In 2020, Propel Nonprofits adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on Propel's financial position and results of operations upon adoption of the new standard.

Propel Nonprofits also adopted FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. The core guidance in ASU 2018-08 provides clarification on the determination of a contribution versus an exchange transaction and, if determined to be a contribution, clarification on the presence of a condition which governs when the related revenue is recognized.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles (Continued)**

Propel Nonprofits' financial statements reflect the application of ASU 2018-08 beginning April 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard resulted in a grant previously classified as unconditional being recognized as conditional. Below is the impact of this amendment on the financial statements:

	<u>Reported Under Old Guidance</u>	<u>Adjustments</u>	<u>Reported Under New Guidance</u>
Liabilities			
Deferred Revenue	\$ 11,190	\$ 565,000	\$ 576,190
Revenue, Net Assets with Donor Restrictions			
CDFI	\$ 565,000	\$ 565,000	\$ -

**Subsequent Events**

In preparing these financial statements, Propel Nonprofits has evaluated events and transactions for potential recognition or disclosure through August 26, 2020, the date the financial statements were available to be issued. Just prior to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Future contribution revenues and expenses of the Organization are uncertain due to the potential impact on travel and economic conditions. In addition, domestic equity markets have experienced significant fluctuations since March 31, 2020. As of July 24, 2020, the amount and likelihood of loss relating to these events is not determined.

Management believes the Organization is taking appropriate actions to mitigate the negative financial impact. However, the full financial impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, Propel received a loan in the amount of \$488,100 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.



**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 2 FISCAL SPONSORSHIP**

Propel Nonprofits acts as a fiscal sponsor to emerging projects based in Minnesota, North Dakota, South Dakota, and Wisconsin. These entities may be in the process of applying for 501(c)(3) status or may be short-term in nature or may be exploring whether becoming a separate nonprofit is the most appropriate long-term strategy to accomplish their mission. Propel Nonprofits accepts charitable grants and contributions on behalf of these projects. These funds are treated as contributions with donor restrictions when received by Propel Nonprofits. These funds are released from restriction as Propel Nonprofits in turn grants them to the fiscally-sponsored recipients. Propel Nonprofits ultimately retains the discretion to redirect the funds to another entity if needed to accomplish the purpose of the donor.

Once the funds have been granted to the fiscally-sponsored client, the client has the option to hold and manage those funds on its own or enter an arrangement where Propel Nonprofits administers the funds on behalf of the client. If the client chooses to have Propel Nonprofits administer its funds, those funds become a liability of Propel Nonprofits. Propel Nonprofits holds the client's funds in a custodial account, provides bookkeeping and accounting services, and assists in other administrative duties. The management of the fiscally-sponsored client directs the use of the funds. Propel Nonprofits simply executes the mechanics of the transactions. As of March 31, 2020 and 2019, the total liability of funds managed for fiscally-sponsored clients was \$1,080,943 and \$1,133,697, respectively.

**NOTE 3 LOANS RECEIVABLE**

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel Nonprofits makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements. Propel Nonprofits manages its loan portfolio with its mission and the missions of its nonprofit partners in mind. The following information details the loan portfolio, its performance, and its reach into the nonprofit sector.

Anticipated principal payments on loans receivable as of March 31, 2020 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2021, Net of Allowance of \$385,460	\$ 9,059,937
2022 through 2025, Net of Allowance of \$1,048,352	16,789,446
Thereafter, Net of Allowance of \$160,518	<u>2,570,708</u>
Total	<u><u>\$ 28,420,091</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

Propel Nonprofits has the following commitments as of March 31, 2020:

Available Nonrevolving Lines of Credit, with Maturities to FY2021	\$ 67,766
Available Lines of Credit, with Maturities through FY2021	5,149,761
Term Loans Originated but Not Fully Disbursed as of Year-End	<u>109,000</u>
Total Commitments	<u><u>\$ 5,326,527</u></u>

Loans receivable at March 31 were comprised of the following:

	<u>2020</u>	<u>2019</u>
Working Capital/Business	\$ 8,091,352	\$ 9,050,093
Working Capital/Equity Builder	942,089	1,650,619
Community Facilities	18,767,015	17,578,201
Affordable Housing	<u>2,213,965</u>	<u>2,125,148</u>
Subtotal	30,014,421	30,404,061
Allowance for Loan Losses	<u>(1,594,330)</u>	<u>(1,594,329)</u>
Loans Receivable, Net	<u><u>\$ 28,420,091</u></u>	<u><u>\$ 28,809,732</u></u>

Working capital/business loan credit is extended to nonprofit organizations for program expansion, short-term bridge loans, cash flow stabilization, and funding growth. These loans are often secured with business assets such as grants receivable or program revenue receivables, sometimes with other business assets such as liens on facilities, but may in some short-term situations be made on an unsecured basis.

Equity Builder loan credit is a new product first piloted in FY2017. The pilot brings capital to arts organizations and other nonprofits anchored in and transformational in their communities, especially communities of color and emerging immigrant communities. The program includes a new loan product that provides a three-year term loan to be used for working capital or facility purposes. The loans, which range from \$50,000 - \$200,000, invest immediate capital for stability and growth. A portion of the loan (between 20% - 40%) is converted to a grant (forgivable) over the three-year term.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

Community facilities loan credit is generally extended to nonprofit organizations for building purchase, building repair, or renovation. Most of these loans are secured with first or second position mortgage liens.

Affordable housing loan credit is extended to nonprofit organizations specifically for the acquisition, construction, and/or renovation of single family or multi-family residences. Most of these loans are secured with mortgage liens or other business assets.

**Aging of Past Due Loans:** The following table presents the aging of past due loans by loan segment as of March 31:

	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
<u>As of March 31, 2020</u>						
Working Capital/Business	\$ 7,971,234	\$ 20,000	\$ -	\$ 100,119	\$ 8,091,353	\$ -
Working Capital/Equity Builder	942,089	-	-	-	942,089	-
Community Facilities	18,767,015	-	-	-	18,767,015	-
Affordable Housing	2,213,964	-	-	-	2,213,964	-
Total	<u>\$ 29,894,302</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 100,119</u>	<u>\$ 30,014,421</u>	<u>\$ -</u>
<u>As of March 31, 2019</u>						
Working Capital/Business	\$ 8,972,169	\$ -	\$ 19,596	\$ 58,328	\$ 9,050,093	\$ -
Working Capital/Equity Builder	1,650,619	-	-	-	1,650,619	-
Community Facilities	17,509,628	-	-	68,573	17,578,201	-
Affordable Housing	2,125,148	-	-	-	2,125,148	-
Total	<u>\$ 30,257,564</u>	<u>\$ -</u>	<u>\$ 19,596</u>	<u>\$ 126,901</u>	<u>\$ 30,404,061</u>	<u>\$ -</u>

Propel Nonprofits uses an internal risk rating system to monitor the credit quality of its loan portfolio. At the time of loan approval, each loan is assigned an initial risk classification. Classifications are reviewed at least quarterly during the term of the loan and at any time there is a significant change, positive or negative, in the borrower's operations.

Loan credit quality is rated using letter designations from A to G, with A being the highest quality rating and G being the lowest. Each category is differentiated based on evaluation of financial measures, management and governance, collateral, payment history, and likelihood of full repayment. For reporting purposes in the following tables, ratings A, B, and C are grouped as Pass. An N rating is also a pass since full risk is borne by a third party. Loans rated D are considered Watch. Loans with quality ratings of E and F are considered Substandard. Loans rated G are listed as Doubtful.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<u>As of March 31, 2020</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital/Business	\$ 7,311,728	\$ 779,625	\$ -	\$ -	\$ 8,091,353
Working Capital/Equity Builder	822,216	119,873	-	-	942,089
Community Facilities	18,767,015	-	-	-	18,767,015
Affordable Housing	2,213,964	-	-	-	2,213,964
Total	<u>\$ 29,114,923</u>	<u>\$ 899,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,014,421</u>
Current	\$ 29,094,923	\$ 799,379	\$ -	\$ -	\$ 29,894,302
Past Due 31-60 Days	20,000	-	-	-	20,000
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	100,119	-	-	100,119
Total	<u>\$ 29,114,923</u>	<u>\$ 899,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,014,421</u>
<u>As of March 31, 2019</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital/Business	\$ 9,036,992	\$ 13,101	\$ -	\$ -	\$ 9,050,093
Working Capital/Equity Builder	1,405,964	244,655	-	-	1,650,619
Community Facilities	17,578,201	-	-	-	17,578,201
Affordable Housing	2,125,148	-	-	-	2,125,148
Total	<u>\$ 30,146,305</u>	<u>\$ 257,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,404,061</u>
Current	\$ 29,999,808	\$ 257,756	\$ -	\$ -	\$ 30,257,564
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	19,596	-	-	-	19,596
Past Due 90 + Days	126,901	-	-	-	126,901
Total	<u>\$ 30,146,305</u>	<u>\$ 257,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,404,061</u>

**Allowance for Loan Losses:** The allowance for loan losses (loan loss reserve) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the loan loss reserve when management confirms that the principal will not be collected. Subsequent recoveries, if any, are credited to the allowance. Activity in the loan loss reserve for the years ended March 31 was as follows:

	<u>Working Capital Business</u>	<u>Working Capital Equity Builder</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<u>March 31, 2020</u>					
<i>Allowance for Loan Losses</i>					
Beginning Balance	\$ 463,294	\$ 112,321	\$ 907,294	\$ 111,420	\$ 1,594,329
Charge Offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provisions	178,796	(61,238)	(94,789)	(22,769)	-
Ending Balance	<u>\$ 642,090</u>	<u>\$ 51,083</u>	<u>\$ 812,505</u>	<u>\$ 88,651</u>	<u>\$ 1,594,329</u>
<i>Allowance for Loan Losses</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 325,089	\$ 11,987	\$ -	\$ -	\$ 337,076
Ending Balance: Collectively Evaluated for Impairment	317,003	39,095	812,505	88,651	1,257,254
Total	<u>\$ 642,092</u>	<u>\$ 51,082</u>	<u>\$ 812,505</u>	<u>\$ 88,651</u>	<u>\$ 1,594,330</u>
<i>Financing Receivables</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 779,625	\$ 119,873	\$ -	\$ -	\$ 899,498
Ending Balance: Collectively Evaluated for Impairment	7,311,728	822,216	18,767,015	2,213,964	29,114,923
Total	<u>\$ 8,091,353</u>	<u>\$ 942,089</u>	<u>\$ 18,767,015</u>	<u>\$ 2,213,964</u>	<u>\$ 30,014,421</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<u>March 31, 2019</u>	Working Capital Business	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>					
Beginning Balance	\$ 306,109	\$ 65,945	\$ 1,033,282	\$ 75,666	\$ 1,481,002
Charge Offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provisions	157,185	46,376	(125,988)	35,754	113,327
Ending Balance	<u>\$ 463,294</u>	<u>\$ 112,321</u>	<u>\$ 907,294</u>	<u>\$ 111,420</u>	<u>\$ 1,594,329</u>
<i>Allowance for Loan Losses</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 1,310	\$ 24,466	\$ -	\$ -	\$ 25,776
Ending Balance: Collectively Evaluated for Impairment	461,984	87,855	907,294	111,420	1,568,553
Total	<u>\$ 463,294</u>	<u>\$ 112,321</u>	<u>\$ 907,294</u>	<u>\$ 111,420</u>	<u>\$ 1,594,329</u>
<i>Financing Receivables</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 13,101	\$ 244,655	\$ -	\$ -	\$ 257,756
Ending Balance: Collectively Evaluated for Impairment	9,036,992	1,405,964	17,578,201	2,125,148	30,146,305
Total	<u>\$ 9,050,093</u>	<u>\$ 1,650,619</u>	<u>\$ 17,578,201</u>	<u>\$ 2,125,148</u>	<u>\$ 30,404,061</u>

**Loan Charge Offs and Recoveries:** On November 21, 2016 Propel Nonprofits received a deed for property in lieu of foreclosure from a borrower in West Concord, MN. As of the acquisition date, Propel Nonprofits recorded the property as Other Real Estate Owned. The property is held for sale. At the time of acquisition, the value of the property was determined to be more than the carrying amount of the loans on which the property served as collateral. The property was recorded at carrying amount. As of March 31, 2019, the recorded carrying amount is \$60,811. On 30 April 2019 Propel Nonprofits sold the West Concord, MN property and subsequently received cash in the amount of \$39,456.43. The cash received is net of the fair market value (\$60,811.32) minus closing costs of \$5,543.57 and minus the loss on the sale of property of \$15,811.32.

During fiscal year 2020 and fiscal year 2019, Propel Nonprofits did not charge off any loans.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

**Modified and Restructured Loans:** On occasion, an outstanding loan is modified or restructured to offer the nonprofit borrower the best chance of success in sustaining their business model and repaying the loan. Modifications may take the form of temporary adjustments for interest-only payments, a reduction in interest rate, an extension of maturity date, or other amendments to the original terms of the loan. To be considered a restructure, the modifications must be in the nature of a concession that would not ordinarily be offered to a borrower in the normal course of business and the borrower must be experiencing financial difficulties. Propel Nonprofits has had great success in using occasional modifications to strengthen the performance of nonprofit borrowers. In FY2020, five loans were modified totaling \$622,124 bringing the total modified balance to be \$2,239,837. In FY2019, four loans totaling \$1,140,627 were modified and the balance of modified loans as of March 31, 2019 was \$2,187,467. Of the modified loans as of March 31, 2020 and 2019, all were performing and were current with payments.

<u>Balances as of March 31, 2020</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 1,504,072	\$ -	\$ -	\$ -	\$ 1,504,072
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	735,765	-	-	-	735,765
Affordable Housing	-	-	-	-	-
Total	<u>\$ 2,239,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,239,837</u>

<u>Balances as of March 31, 2019</u>					
Modified in FY2020	\$ 622,124	\$ -	\$ -	\$ -	\$ 622,124
Modified in FY2019	690,672	-	-	-	690,672
Modified in FY2018	2,087	-	-	-	2,087
Modified in Prior FYs	924,954	-	-	-	924,954
Total	<u>\$ 2,239,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,239,837</u>

<u>Balances as of March 31, 2020</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 1,324,528	\$ 13,101	\$ -	\$ -	\$ 1,337,629
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	849,838	-	-	-	849,838
Affordable Housing	-	-	-	-	-
Total	<u>\$ 2,174,366</u>	<u>\$ 13,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,187,467</u>

<u>Balances as of March 31, 2019</u>					
Modified in FY2019	\$ 1,140,627	\$ -	\$ -	\$ -	\$ 1,140,627
Modified in FY2018	63,495	-	-	-	63,495
Modified in FY2017	738,190	-	-	-	738,190
Modified in Prior FYs	232,054	13,101	-	-	245,155
Total	<u>\$ 2,174,366</u>	<u>\$ 13,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,187,467</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 4 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT**

Propel Nonprofits maintains and manages adequate operating and loan fund reserves per policies set by its board of directors. In the case of the operating reserve, the Finance Committee of the board regularly reviews and recommends reserve policies to the full board for approval. In the case of loan fund reserves, including loan loss reserves, the Loan Committee regularly reviews and recommends reserve policies to the full board for approval. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of March 31, 2020, are made up of the following:

Assets Without Donor Restrictions Available

Within 12 Months:

Cash and Cash Equivalents (Program and Operations)	\$ 562,007
Cash and Cash Equivalents (Loan Fund)	6,072,938
Accounts Receivable (Net of Allowance)	167,785
Loan Interest Receivable	<u>107,362</u>
Total	<u><u>\$ 6,910,092</u></u>

Per its financial policies, Propel Nonprofits maintains an operating reserve with a value of no less than one-fourth of budgeted operating expenses, calculated less noncash items such as loan loss reserves and depreciation, and less grants to other entities that have a specific, corresponding revenue source. The reserve itself consists of cash, cash equivalents, CDs, assets with donor restrictions that will likely be released within 90 days, and other receivables likely to mature within 90 days.

Operating Reserve Available Within 90 days:

Cash and Cash Equivalents (Program and Operations Only)	\$ 562,007
Accounts Receivable (Net of Allowance)	167,785
Loan Interest Receivable (Available for Program and Operations)	107,362
Donor-Restricted Assets Estimated to be Released Within 90 Days	<u>667,133</u>
Total	<u><u>\$ 1,504,287</u></u>

Operating Reserve Requirement Per Policy:

Budgeted Operating Expenses FY2021	\$ 6,078,016
Less: Depreciation Expense	(206,391)
Less: Provision for Loan Loss Reserves	(225,000)
Less: Grants to Other Entities with a Corresponding	<u>(959,250)</u>
Subtotal	<u>4,687,375</u>
Total Operating Reserve Requirement	<u><u>\$ 1,171,844</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 4 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT (CONTINUED)**

Other Assets Estimated to be Available Within 12 Months  
Budgeted and Likely Releases from Restriction  
Within 12 Months:

	<u>Balance as of March 31, 2020</u>	<u>Estimated for Release</u>
Cash With Donor Restrictions (Program and Operations)	\$ 1,646,228	\$ 1,601,393
Grants Receivable With Donor Restrictions (Program and Operations)	1,370,067	285,000
Cash Accounts With Donor Restrictions (Loan Fund)	89,667	89,667
Cash recorded as Deferred Revenue (Loan Fund)	565,000	565,000
Certificates of Deposit With Donor Restrictions (Program and Operations)	84,349	84,349
Total	<u>\$ 3,755,311</u>	<u>\$ 2,625,409</u>

Per its loan policies, Propel Nonprofits maintains a loan loss reserve equal to at least 5% of the outstanding loan balance. This reserve is maintained and managed to mitigate the risk of possible loan charge-offs. The loan loss reserve is funded through the operating budget as approved by the board of directors. If deemed necessary, the reserve may from time to time be increased above the minimum 5%. The loan loss reserve calculation method reflects the historical experience of the loan fund and the experienced judgment of management and the board of directors. The calculations rely on accurate and timely risk classifications made by the management. See Note 3 – Loans Receivable for detailed information on the loan loss reserve as of March 31, 2020.

Lines of Credit Available:

Available for Program and Operations and Loan Fund:	<u>Maturity Date</u>	<u>Balance</u>
Minnesota Bank & Trust	11/30/2020	\$ 2,000,000
Synchrony Financial	12/31/2022	2,000,000
The Minneapolis Foundation	4/1/2022	2,000,000
Total		<u>\$ 6,000,000</u>

The Finance Committee, Loan Committee, and board receive quarterly financial and loan portfolio reports that include information on liquidity and reserves. As part of its commitment to investors, Propel Nonprofits provides quarterly investor reports that include financial and loan portfolio data. Propel Nonprofits also maintains its annual certification with the Community Development Financial Institution (CDFI) Fund and is rated on an annual basis by Aeris, the CDFI industry rating agency.



**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 5 RELATED-PARTY TRANSACTIONS**

Though a separate 501(c)(3) nonprofit corporation, Propel Nonprofits is structured as a subsidiary of The Minneapolis Foundation and was a supporting organization of The Minneapolis Foundation until September 2017. (See also Note 1 – Organization for details regarding the change to this status.) Propel Nonprofits pays for a share of certain business and liability insurance expenses covered by blanket policies held by The Minneapolis Foundation. Propel Nonprofits paid The Minneapolis Foundation a total of \$15,459 and \$14,861 in FY2020 and FY2019, respectively, for its proportionate share of business liability, workers' compensation, and directors and officers insurances.

Propel Nonprofits has a \$2 million revolving line of credit with The Minneapolis Foundation. The line is unsecured and bears interest at The Minneapolis Foundation's cash management rate plus 0.25%, which in FY2020 resulted in an effective rate of 0.30%. Total interest expense paid to The Minneapolis Foundation by Propel Nonprofits on line of credit outstanding balances was \$6,347 for the year ended March 31, 2020. There were no outstanding borrowings on the line of credit as of March 31, 2020 and 2019.

In addition, Propel Nonprofits has one note payable with The Minneapolis Foundation of \$1 million targeted for charter school lending. The interest rate on the remaining loan is 2.00%, payable annually on July 1, with a maturity date of July 1, 2024. Total interest expense paid to The Minneapolis Foundation by Propel Nonprofits on PRIs was \$20,000 and \$19,333 for the years ended March 31, 2020 and 2019, respectively.

**NOTE 6 NOTES PAYABLE AND OTHER CAPITAL**

Notes payable consist of loans with stated interest from 1.0% to 4.0% maturing through 2026. Principal payments on notes payable and other capital at March 31, 2020 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2021	\$ 1,799,042
2022	2,575,976
2023	3,172,275
2024	3,500,000
2025	2,650,000
Thereafter	9,823,329
Total	<u><u>\$ 23,520,622</u></u>

Certain note agreements require compliance with various financial covenants and require audited financial statements.

Propel Nonprofits has entered into participation agreements with Partners for the Common Good (PCG) and the City of Minneapolis office of Community Planning and Economic Development (CPED). Propel Nonprofits has the obligation to pass through interest and principal payments subject to the terms of the agreements for the life of such agreements. The principal repayment obligations stated in the participation agreements are included in the table above. The current balance of the participations as of March 31, 2020 and 2019 was \$456,861 and \$362,561, respectively.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 7 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL**

Propel Nonprofits has various revolving lines of credit and other sources of capital not yet drawn that are available for lending to nonprofit organizations. Stated interest rates for these lines range from 0.30% to LIBOR plus 2.75%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2020 and 2019. At March 31, 2020, the following lines of credit and other capital financing were available to be drawn:

<u>Lines of Credit</u>	<u>Maturity Date</u>	<u>Amount</u>
The Minneapolis Foundation (TMF)	4/1/2022	\$ 2,000,000
Minnesota Bank & Trust	11/30/2020	2,000,000
Synchrony Financial	12/31/2022	2,000,000
Total Lines of Credit		<u>\$ 6,000,000</u>

**NOTE 8 RETIREMENT PLAN**

Following the January 2017 business combination, the retirement plans of both organizations were maintained. In FY18, the board of directors approved to adopt the already existing Mutual of America plan. The plan retains the employer contribution of 5% of gross salary, with no matching provision. Employees are free to make additional voluntary contributions to the plan. Retirement plan expense was \$102,785 and \$100,434 for the years ended March 31, 2020 and 2019, respectively.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of March 31:

	<u>2020</u>	<u>2019</u>
Restricted for Specific Purposes:		
Program and Operations	\$ 2,921,852	\$ 1,558,270
Loan Fund	89,667	700,000
Fiscal Sponsorship Fund	85,552	80,928
Restricted for Use Due to Time	178,791	350,000
Total	<u>\$ 3,275,862</u>	<u>\$ 2,689,198</u>

Net assets were released during the years ended March 31 for the following purposes:

	<u>2020</u>	<u>2019</u>
Release for Satisfaction of Specific Purpose:		
Program and Operations	\$ 1,051,996	\$ 447,619
Loan Fund	810,333	776,500
Fiscal Sponsorship Fund	2,473,840	2,416,997
Released for Use Due to Time	232,130	586,396
Total	<u>\$ 4,568,299</u>	<u>\$ 4,227,512</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020 AND 2019**

**NOTE 10 LEASE OBLIGATION**

On June 30, 2017, Propel Nonprofits' lease for office space at its former location came to an end. On June 20, 2017, Propel Nonprofits moved to a new office location and commenced a new ten-and-a-half-year lease with monthly payments effective July 1, 2017. Computed on a straight-line basis, rent expense associated with the primary office space at both locations spanning the fiscal year was \$128,088 and \$128,088 for the years ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, Propel Nonprofits had two office copiers under 60-month capital lease agreements which were recorded as fixed assets - copier one at \$12,745 and copier two at \$16,371. As of March 31, 2020, and 2019, accumulated depreciation on the two office copiers was \$12,846 and \$5,995, respectively.

In FY 2020 Propel Nonprofits purchased office computers under 36-month lease agreements which were recorded as fixed assets at \$26,828. As of March 31, 2020, accumulated depreciation on these office computers was \$6,909.

Future minimum lease payments under all leases as of March 31, 2020 are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Office Computers</u>	<u>Total</u>
2021	\$ 125,413	\$ 5,913	\$ 8,872	\$ 140,198
2022	131,790	6,195	9,442	147,427
2023	135,012	3,662	1,040	139,714
2024	138,235	1,665	-	139,900
2025	141,458			
Thereafter	405,727	-	-	405,727
Future Minimum Payments	<u>1,077,635</u>	<u>17,435</u>	<u>19,354</u>	<u>1,114,424</u>
Present Value of Future Minimum Payments	<u>\$ 1,077,635</u>	<u>\$ 17,435</u>	<u>\$ 19,354</u>	<u>\$ 1,114,424</u>

**NOTE 11 TENANT IMPROVEMENT ALLOWANCE**

Included in the terms of the new lease for office space described above, Propel Nonprofits received a tenant improvement allowance of \$331,488 which reimbursed a portion of the total leasehold improvements paid for by Propel Nonprofits. Because the tenant improvement allowance is considered an incentive, the allowance is treated as a reduction of rent expense. The full amount was booked as Deferred Rent Credit liability and will be amortized over the life of the lease. The total amount paid for leasehold improvements is capitalized as fixed assets and will depreciate over the term of the lease. The lease was effective July 1, 2017. In FY20 and FY19, the amount of amortized rent credit was \$31,570 and \$31,570, respectively.

**PROPEL NONPROFITS  
SCHEDULE OF FINANCIAL POSITION BY FUND  
MARCH 31, 2020**

	Without Donor Restrictions				With Donor Restrictions				Total
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash Accounts	\$ 562,007	\$ 6,072,938	\$ 1,080,943	\$ 7,715,888	\$ 1,646,228	\$ 89,667	\$ 85,551	\$ 1,821,446	\$ 9,537,334
Accounts Receivable and Grant Receivables, Net of Allowance of \$5,850	167,785	-	-	167,785	1,370,067	-	-	1,370,067	1,537,852
Loans Receivable, Net of Allowance of \$385,460	-	9,059,937	-	9,059,937	-	-	-	-	9,059,937
Loan Interest Receivable	107,362	-	-	107,362	-	-	-	-	107,362
Prepays and Other	122,812	-	-	122,812	-	-	-	-	122,812
Total Current Assets	<u>959,966</u>	<u>15,132,875</u>	<u>1,080,943</u>	<u>17,173,784</u>	<u>3,016,295</u>	<u>89,667</u>	<u>85,551</u>	<u>3,191,513</u>	<u>20,365,297</u>
<b>NONCURRENT ASSETS</b>									
Loans Receivable, Net of Allowance of \$1,208,870	-	19,360,154	-	19,360,154	-	-	-	-	19,360,154
Other Real Estate Owned, Net	-	-	-	-	-	-	-	-	-
Certificates of Deposit	100,000	-	-	100,000	84,349	-	-	84,349	184,349
Fixed Assets, Net of Depreciation	818,022	-	-	818,022	-	-	-	-	818,022
Total Noncurrent Assets	<u>918,022</u>	<u>19,360,154</u>	<u>-</u>	<u>20,278,176</u>	<u>84,349</u>	<u>-</u>	<u>-</u>	<u>84,349</u>	<u>20,362,525</u>
Total Assets	<u>\$ 1,877,988</u>	<u>\$ 34,493,029</u>	<u>\$ 1,080,943</u>	<u>\$ 37,451,960</u>	<u>\$ 3,100,644</u>	<u>\$ 89,667</u>	<u>\$ 85,551</u>	<u>\$ 3,275,862</u>	<u>\$ 40,727,822</u>

**PROPEL NONPROFITS**  
**SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)**  
**MARCH 31, 2020**

	Without Donor Restrictions				With Donor Restrictions				
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Current Portion of Notes Payable	\$ 97,513	\$ 1,701,529	\$ -	\$ 1,799,042	\$ -	\$ -	\$ -	\$ -	\$ 1,799,042
Accounts Payable and Accrued Expenses	282,634	-	-	282,634	-	-	-	-	282,634
Capital Lease Obligation	14,786	-	-	14,786	-	-	-	-	14,786
Accrued Interest Payable	103,390	-	-	103,390	-	-	-	-	103,390
Deferred Revenue	11,190	565,000	-	576,190	-	-	-	-	576,190
Deferred Rent Credit	31,570	-	-	31,570	-	-	-	-	31,570
Fund Managed for Fiscally-Sponsored Clients	-	-	1,080,943	1,080,943	-	-	-	-	1,080,943
Total Current Liabilities	541,083	2,266,529	1,080,943	3,888,555	-	-	-	-	3,888,555
<b>LONG-TERM LIABILITIES</b>									
Notes Payable	153,750	21,567,830	-	21,721,580	-	-	-	-	21,721,580
Capital Lease Obligation	22,007	-	-	22,007	-	-	-	-	22,007
Deferred Rent Credit	213,100	-	-	213,100	-	-	-	-	213,100
Total Long-Term Liabilities	388,857	21,567,830	-	21,956,687	-	-	-	-	21,956,687
Total Liabilities	929,940	23,834,359	1,080,943	25,845,242	-	-	-	-	25,845,242
<b>NET ASSETS</b>									
Without Donor Restrictions:									
Undesignated	948,048	10,658,670	-	11,606,718	-	-	-	-	11,606,718
With Donor Restrictions	-	-	-	-	3,100,644	89,667	85,551	3,275,862	3,275,862
Total Net Assets	948,048	10,658,670	-	11,606,718	3,100,644	89,667	85,551	3,275,862	14,882,580
Total Liabilities and Net Assets	\$ 1,877,988	\$ 34,493,029	\$ 1,080,943	\$ 37,451,960	\$ 3,100,644	\$ 89,667	\$ 85,551	\$ 3,275,862	\$ 40,727,822

**PROPEL NONPROFITS  
SCHEDULE OF ACTIVITIES BY FUND  
YEAR ENDED MARCH 31, 2020**

	Without Donor Restrictions				With Donor Restrictions				Total
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	
<b>REVENUES</b>									
Gifts and Grants	\$ 548,395	\$ -	\$ -	\$ 548,395	\$ 2,476,500	\$ 200,000	\$ 2,478,463	\$ 5,154,963	\$ 5,703,358
Loan Interest Income	1,720,223	-	-	1,720,223	-	-	-	-	1,720,223
Loan Fee Revenue	108,268	-	-	108,268	-	-	-	-	108,268
Program Revenue	743,423	-	-	743,423	-	-	-	-	743,423
Investment Income	80,433	-	-	80,433	-	-	-	-	80,433
Other Income	-	(15,811)	-	(15,811)	-	-	-	-	(15,811)
Net Assets Released from Restrictions	1,284,126	810,333	2,473,840	4,568,299	(1,284,126)	(810,333)	(2,473,840)	(4,568,299)	-
<b>Total Revenues</b>	<b>4,484,868</b>	<b>794,522</b>	<b>2,473,840</b>	<b>7,753,230</b>	<b>1,192,374</b>	<b>(610,333)</b>	<b>4,623</b>	<b>586,664</b>	<b>8,339,894</b>
<b>EXPENSES</b>									
Program Services:									
Training, Guidance, and Knowledge Sharing	825,599	-	-	825,599	-	-	-	-	825,599
Lending	1,533,532	5,544	-	1,539,076	-	-	-	-	1,539,076
Strategic Services	703,899	-	-	703,899	-	-	-	-	703,899
Accounting and Finance Services	352,013	-	-	352,013	-	-	-	-	352,013
Fiscal Sponsorship and Incorporation Services	279,762	-	2,473,840	2,753,602	-	-	-	-	2,753,602
<b>Total Program Services</b>	<b>3,694,805</b>	<b>5,544</b>	<b>2,473,840</b>	<b>6,174,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,174,189</b>
Core Mission Support: Management and General	829,144	-	-	829,144	-	-	-	-	829,144
Core Mission Support: Fundraising	152,093	-	-	152,093	-	-	-	-	152,093
<b>Total Expenses</b>	<b>4,676,042</b>	<b>5,544</b>	<b>2,473,840</b>	<b>7,155,426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,155,426</b>
<b>CHANGE IN NET ASSETS</b>	<b>(191,174)</b>	<b>788,978</b>	<b>-</b>	<b>597,804</b>	<b>1,192,374</b>	<b>(610,333)</b>	<b>4,623</b>	<b>586,664</b>	<b>1,184,468</b>
Net Assets - Beginning of Year	1,139,222	9,869,692	-	11,008,914	1,908,270	700,000	80,928	2,689,198	13,698,112
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 948,048</b>	<b>\$ 10,658,670</b>	<b>\$ -</b>	<b>\$ 11,606,718</b>	<b>\$ 3,100,644</b>	<b>\$ 89,667</b>	<b>\$ 85,551</b>	<b>\$ 3,275,862</b>	<b>\$ 14,882,580</b>