

PROPEL NONPROFITS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED MARCH 31, 2023 AND 2022



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YEARS ENDED MARCH 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Propel Nonprofits
Minneapolis, Minnesota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Propel Nonprofits (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, 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 Propel Nonprofits as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Propel Nonprofits 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.

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.

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 Propel Nonprofits ability to continue as a going concern for one year after the date 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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Propel Nonprofits' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Propel Nonprofits' 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.

Other Matters

Supplementary Information – Schedule of Financial Position and Activities by Fund

Our audit as of and for the year ended March 31, 2023 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
July 10, 2023

**PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022**

	March 31, 2023			March 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 7,835,313	\$ 4,632,569	\$ 12,467,882	\$ 12,385,724	\$ 7,199,076	\$ 19,584,800
Certificates of Deposit	106,903	-	106,903	-	-	-
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$9,022 in 2023 and \$4,303 in 2022	325,145	410,000	735,145	189,125	682,000	871,125
Loans Receivable, Net of Allowance of \$385,460 in 2023 and 2022	6,147,645	-	6,147,645	6,746,443	-	6,746,443
Loan Interest Receivable	50,075	-	50,075	57,628	-	57,628
Other Receivables	33,801	-	33,801	738,603	-	738,603
Prepays	107,130	-	107,130	144,636	-	144,636
Total Current Assets	<u>14,606,012</u>	<u>5,042,569</u>	<u>19,648,581</u>	<u>20,262,159</u>	<u>7,881,076</u>	<u>28,143,235</u>
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of \$1,233,870 in 2023 and \$1,058,870 in 2022	23,108,381	-	23,108,381	20,678,205	-	20,678,205
Certificates of Deposit	-	-	-	100,000	84,349	184,349
Fixed Assets, Net of Depreciation	496,153	-	496,153	553,834	-	553,834
ROU Asset, Net of Amortization	1,045,701	-	1,045,701	-	-	-
Total Noncurrent Assets	<u>24,650,235</u>	<u>-</u>	<u>24,650,235</u>	<u>21,332,039</u>	<u>84,349</u>	<u>21,416,388</u>
Total Assets	<u>\$ 39,256,247</u>	<u>\$ 5,042,569</u>	<u>\$ 44,298,816</u>	<u>\$ 41,594,198</u>	<u>\$ 7,965,425</u>	<u>\$ 49,559,623</u>

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2023 AND 2022

	March 31, 2023			March 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Notes Payable	\$ 3,963,400	\$ -	\$ 3,963,400	\$ 4,665,477	\$ -	\$ 4,665,477
Accounts Payable and Accrued Expenses	592,802	-	592,802	717,756	-	717,756
Capital Lease Obligation	-	-	-	18,780	-	18,780
Interest Payable	59,073	-	59,073	97,370	-	97,370
Deferred Revenue	11,417	-	11,417	416,302	-	416,302
Deferred Rent Credit	-	-	-	31,570	-	31,570
Loan Receivable Forgiveness	1,141,875	-	1,141,875	896,250	-	896,250
Funds Managed for Fiscally-Sponsored Clients	606,289	-	606,289	581,906	-	581,906
Total Current Liabilities	<u>6,374,856</u>	<u>-</u>	<u>6,374,856</u>	<u>7,425,411</u>	<u>-</u>	<u>7,425,411</u>
LONG-TERM LIABILITIES						
Notes Payable	18,370,045	-	18,370,045	20,738,302	-	20,738,302
Capital Lease Obligation	-	-	-	19,666	-	19,666
Deferred Rent Credit	-	-	-	149,959	-	149,959
ROU Lease Liability	1,326,880	-	1,326,880	-	-	-
Total Long-Term Liabilities	<u>19,696,925</u>	<u>-</u>	<u>19,696,925</u>	<u>20,907,927</u>	<u>-</u>	<u>20,907,927</u>
Total Liabilities	26,071,781	-	26,071,781	28,333,338	-	28,333,338
NET ASSETS						
Without Donor Restrictions	13,184,466	-	13,184,466	13,260,860	-	13,260,860
With Donor Restrictions	-	5,042,569	5,042,569	-	7,965,425	7,965,425
Total Net Assets	<u>13,184,466</u>	<u>5,042,569</u>	<u>18,227,035</u>	<u>13,260,860</u>	<u>7,965,425</u>	<u>21,226,285</u>
Total Liabilities and Net Assets	<u>\$ 39,256,247</u>	<u>\$ 5,042,569</u>	<u>\$ 44,298,816</u>	<u>\$ 41,594,198</u>	<u>\$ 7,965,425</u>	<u>\$ 49,559,623</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2023 AND 2022**

	March 31, 2023			March 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Gifts and Grants	\$ 3,906,535	\$ 3,032,500	\$ 6,939,035	\$ 4,162,936	\$ 8,252,667	\$ 12,415,603
Loan Interest Income	1,486,310	-	1,486,310	1,376,524	-	1,376,524
Loan Fee Revenue	68,677	-	68,677	97,500	-	97,500
Program Revenue	686,619	-	686,619	568,033	-	568,033
Investment Income	151,143	-	151,143	23,095	-	23,095
Net Assets Released from Restrictions	5,955,356	(5,955,356)	-	3,718,646	(3,718,646)	-
Total Revenues	12,254,640	(2,922,856)	9,331,784	9,946,734	4,534,021	14,480,755
EXPENSES						
Program Service:						
Training, Guidance, and Knowledge Sharing	1,027,651	-	1,027,651	2,659,411	-	2,659,411
Capacity Building Initiatives	4,539,746	-	4,539,746	-	-	-
Lending	2,149,306	-	2,149,306	2,268,465	-	2,268,465
Strategic Services	727,724	-	727,724	580,587	-	580,587
Accounting and Finance Services	195,547	-	195,547	196,134	-	196,134
FS and Incorporation Services	2,200,968	-	2,200,968	2,002,807	-	2,002,807
Total Program Services	10,840,942	-	10,840,942	7,707,404	-	7,707,404
Core Mission Support: Management and General	1,213,796	-	1,213,796	1,078,321	-	1,078,321
Core Mission Support: Fundraising	276,296	-	276,296	221,786	-	221,786
Total Expenses	12,331,034	-	12,331,034	9,007,511	-	9,007,511
CHANGE IN NET ASSETS	(76,394)	(2,922,856)	(2,999,250)	939,223	4,534,021	5,473,244
Net Assets - Beginning of Year	13,260,860	7,965,425	21,226,285	12,321,637	3,431,404	15,753,041
NET ASSETS - END OF YEAR	<u>\$ 13,184,466</u>	<u>\$ 5,042,569</u>	<u>\$ 18,227,035</u>	<u>\$ 13,260,860</u>	<u>\$ 7,965,425</u>	<u>\$ 21,226,285</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2023**

	Program Services						Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Capacity Building Initiatives	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES											
Personnel Expenses	\$ 415,610	\$ 303,893	\$ 588,910	\$ 593,278	\$ 160,253	\$ 205,852	\$ 2,267,796	\$ 769,374	\$ 198,580	\$ 967,954	\$ 3,235,750
Contracted Services	472,970	460,944	9,108	4,295	-	3,535	950,852	253,497	33,000	286,497	1,237,349
Grants to Other Entities	31,000	3,705,400	693,750	-	-	1,916,179	6,346,329	-	-	-	6,346,329
Occupancy	42,509	33,434	54,691	59,642	16,702	21,901	228,879	68,468	19,312	87,780	316,659
Equipment and Technology Expense	45,238	27,540	47,231	50,102	13,892	42,097	226,100	56,092	16,015	72,107	298,207
Travel Expenses	4,183	54	588	2,425	34	1,463	8,747	47	1,814	1,861	10,608
Meeting Expenses	4,541	1,894	11,534	1,917	298	643	20,827	5,180	2,749	7,929	28,756
Marketing and Communications Expenses	2,878	2,520	4,122	4,107	1,231	1,640	16,498	2,006	1,644	3,650	20,148
Other Operating Expenses	8,722	4,067	12,170	11,958	3,137	7,654	47,708	58,802	3,182	61,984	109,692
Interest Expense on Debt	-	-	549,041	-	-	-	549,041	-	-	-	549,041
Provision for Loan Loss Reserve	-	-	175,000	-	-	-	175,000	-	-	-	175,000
Other Filing and Fee Expense	-	-	3,161	-	-	4	3,165	330	-	330	3,495
Total Direct Expenses	1,027,651	4,539,746	2,149,306	727,724	195,547	2,200,968	10,840,942	1,213,796	276,296	1,490,092	12,331,034
Administrative Allocation	207,511	161,864	266,865	293,377	81,976	107,489	1,119,082	(1,213,796)	94,714	(1,119,082)	-
Fundraising Allocation	68,578	54,671	88,498	97,050	26,921	35,292	371,010	-	(371,010)	(371,010)	-
True Program Costs	<u>\$ 1,303,740</u>	<u>\$ 4,756,281</u>	<u>\$ 2,504,669</u>	<u>\$ 1,118,151</u>	<u>\$ 304,444</u>	<u>\$ 2,343,749</u>	<u>\$ 12,331,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,331,034</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2022**

	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	Subtotal	
EXPENSES									
Personnel Expenses	\$ 635,627	\$ 598,054	\$ 491,629	\$ 164,234	\$ 173,782	\$ 2,063,326	\$ 798,039	\$ 973,981	\$ 3,037,307
Contracted Services	221,418	17,542	600	-	1,260	240,820	115,649	128,449	369,269
Grants to Other Entities	1,662,288	-	-	-	1,774,473	3,436,761	-	-	3,436,761
Capital Support to Nonprofits	-	977,917	-	-	-	977,917	-	-	977,917
Occupancy	62,064	55,365	41,605	15,491	15,453	189,978	62,036	78,379	268,357
Equipment and Technology Expense	49,957	43,564	32,020	11,971	30,955	168,467	48,140	60,952	229,419
Travel Expenses	190	11	1,378	-	-	1,579	136	150	1,729
Meeting Expenses	600	4,958	1,425	-	75	7,058	1,886	1,961	9,019
Marketing and Communications Expenses	4,052	4,575	2,671	1,028	951	13,277	3,015	4,453	17,730
Other Operating Expenses	23,215	13,413	9,259	3,410	5,538	54,835	49,177	51,524	106,359
Interest Expense on Debt	-	519,389	-	-	-	519,389	-	-	519,389
Provision for Loan Loss Reserve	-	25,000	-	-	-	25,000	-	-	25,000
Other Filing and Fee Expense	-	8,677	-	-	320	8,997	243	258	9,255
Total Direct Expenses	2,659,411	2,268,465	580,587	196,134	2,002,807	7,707,404	1,078,321	1,300,107	9,007,511
Administrative Allocation	329,715	286,824	216,976	80,871	78,092	992,478	(1,078,321)	(992,478)	-
Fundraising Allocation	100,800	89,657	67,325	25,346	24,501	307,629	-	(307,629)	-
True Program Costs	<u>\$ 3,089,926</u>	<u>\$ 2,644,946</u>	<u>\$ 864,888</u>	<u>\$ 302,351</u>	<u>\$ 2,105,400</u>	<u>\$ 9,007,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,007,511</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,999,250)	\$ 5,473,244
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	166,483	160,202
Provision for Loan Loss Reserve	175,000	25,000
Amortization of Note Payable Commitment Fee	1,000	1,000
Amortization on Leases	22,072	-
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	135,980	225,557
Loan Interest Receivable	7,553	(3,830)
Prepays	37,506	(41,376)
Other Receivables	704,802	(738,603)
Accounts Payable and Accrued Expenses	(124,880)	125,043
Interest Payable	(38,297)	8,727
Deferred Revenue	(404,885)	(145,448)
Deferred Rent Credit	-	(31,570)
Lease Liability	70,088	-
Loan Receivable Forgiveness	245,625	896,250
Cash Receipts on Behalf of Fiscally Sponsored Clients	1,920,485	1,651,193
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(1,896,102)	(1,760,020)
Net Cash Provided (Used) by Operating Activities	<u>(1,976,820)</u>	<u>5,845,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principal Advanced	(12,911,936)	(17,044,650)
Loan Receivable Repayments	10,457,434	13,000,654
Loan Forgiveness	448,125	81,667
Purchase of Fixed Assets	(109,802)	(47,126)
Net Change in Certificates of Deposit	77,446	-
Net Cash Used by Investing Activities	<u>(2,038,733)</u>	<u>(4,009,455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	2,060,000	4,900,000
Principal Payments on Notes Payable	(5,078,135)	(1,925,333)
Note Payable Equipment Financing Principal Payments	(52,274)	(101,476)
Capital Lease Obligation Additions	-	15,650
Principal Payments on Capital Lease Obligation	(30,956)	(25,713)
Net Cash Provided (Used) by Financing Activities	<u>(3,101,365)</u>	<u>2,863,128</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,116,918)	4,699,042
Cash and Cash Equivalents - Beginning of Year	<u>19,584,800</u>	<u>14,885,758</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,467,882</u>	<u>\$ 19,584,800</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	<u>\$ 588,467</u>	<u>\$ 511,694</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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's 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 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 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 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 Internal Revenue Code (IRC) 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. On January 21, 2021, Propel Nonprofits became independent of The Minneapolis Foundation through a change in their bylaws which relinquished The Minneapolis Foundation's power to elect a majority of the Propel Nonprofits board members.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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 Propel Nonprofits' disposal to meet those lending needs. Loans made to nonprofits range from \$20,000 to \$1,200,000, 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 is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code. 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 is also exempt from state income taxes. Propel 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 or by the passage of time.

Propel 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, 2023 and 2022.

Basis of Accounting

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

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 \$9,022 and \$4,303 as of March 31, 2023 and 2022, respectively. Management estimates this allowance of \$9,022 to be appropriate to the current quality of receivables.

Loans Receivable

The loans receivable portfolio consists of notes with interest rates ranging from 1.0% to 7.25% 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 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 nonperforming. Various loans are secured by business assets or real estate collateral.

Other Receivables

The other receivables represent advances of loan funds and grants to other organizations for contracts not yet finalized at year-end.

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 presents such contributions in the net assets without donor restrictions class.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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 cost reimbursable contracts of \$345,384 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 the identified performance obligations at a set price or rate. Propel recognizes the revenue as the performance obligations are met under the contract over time.

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's portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2023 or 2022.

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.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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 does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or nonrecurring basis.

Leases

Propel Nonprofits leases office space and equipment and determines if an arrangement is a lease at inception. Both operating and finance leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Propel Nonprofits adopted the requirements of the guidance effective April 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets. The standard had a material impact on the statement of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

NOTE 2 FISCAL SPONSORSHIP

Propel 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. These funds are released from restriction as Propel in turn grants them to the fiscally sponsored recipients. Propel 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 administers the funds on behalf of the client. If the client chooses to have Propel administer its funds, those funds become a liability of Propel. 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 simply executes the mechanics of the transactions. As of March 31, 2023 and 2022, the total liability of funds managed for fiscally-sponsored clients was \$606,289 and \$581,906, respectively.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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 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 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, 2023 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2024, Net of Allowance of \$385,460	\$ 6,147,645
2025 through 2028, Net of Allowance of \$970,059	18,339,768
Thereafter, Net of Allowance of \$263,811	<u>4,768,613</u>
Total	<u>\$ 29,256,026</u>

Propel has the following commitments as of March 31, 2023:

Available Nonrevolving Lines of Credit, with Maturities to FY2024	\$ 52,244
Available Lines of Credit, with Maturities Through FY2024	<u>2,868,173</u>
Total Commitments	<u>\$ 2,920,417</u>

Loans receivable at March 31 were comprised of the following:

	<u>2023</u>	<u>2022</u>
Working Capital/Business	\$ 5,163,957	\$ 3,907,219
Working Capital/Recovery Capital Loan	5,784,625	3,585,000
Microloan	261,488	132,000
Working Capital/Equity Builder	-	5,222
Community Facilities	18,471,422	20,060,273
Affordable Housing	<u>1,193,864</u>	<u>1,179,264</u>
Subtotal	30,875,356	28,868,978
Allowance for Loan Losses	<u>(1,619,330)</u>	<u>(1,444,330)</u>
Loans Receivable, Net	<u>\$ 29,256,026</u>	<u>\$ 27,424,648</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.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Recovery Capital Loan (RCL) is a loan product developed in in FY 2022 in response to the pandemic. Through donations from private philanthropy, Propel is able to provide a favorable loan product that includes a six-month period of nonpayment and 0% interest, below market interest rate, and 25% forgiveness (a grant to the loan client) of the loan over two years. The RCL is designed to be flexible, affordable, and structured to offer the time and patience needed to recover and rebuild. The maximum loan amount is \$300,000.

Microloan is a higher risk loan product aimed at helping emerging nonprofits, organizational restarts, debt consolidation, infrastructure capacity or rebuilding. Risk is mitigated by confidence in leadership and reasonable plans of the organization This loan product will be reserved at 15%. The maximum loan amount is \$50,000.

Equity Builder loan credit is a product developed in FY2017. The product 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 completed the last year of the Equity Builder loan with \$-0- and \$5,222 in loan receivables remaining at March 31, 2023 and 2022, respectively.

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.

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 3 LOANS RECEIVABLE (CONTINUED)

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, 2023</u>						
Working Capital/Business	\$ 5,150,117	\$ 13,840	\$ -	\$ -	\$ 5,163,957	\$ -
Working Capital/RCL	5,784,625	-	-	-	5,784,625	-
Microloan	261,488	-	-	-	261,488	-
Community Facilities	18,471,422	-	-	-	18,471,422	-
Affordable Housing	1,193,864	-	-	-	1,193,864	-
Total	<u>\$ 30,861,516</u>	<u>\$ 13,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,875,356</u>	<u>\$ -</u>
<u>As of March 31, 2022</u>						
Working Capital/Business	\$ 3,907,219	\$ -	\$ -	\$ -	\$ 3,907,219	\$ -
Working Capital/RCL	3,585,000	-	-	-	3,585,000	-
Microloan	132,000	-	-	-	132,000	-
Working Capital/Equity Builder	5,222	-	-	-	5,222	-
Community Facilities	20,060,273	-	-	-	20,060,273	-
Affordable Housing	1,179,263	-	-	-	1,179,263	-
Total	<u>\$ 28,868,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,868,977</u>	<u>\$ -</u>

Propele 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 and M and N, 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 and M 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, 2023 AND 2022**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

As of March 31, 2023	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 3,990,890	\$ 1,147,818	\$ -	\$ 25,249	\$ 5,163,957
Working Capital/RCL	5,441,431	343,194	-	-	5,784,625
Microloan	229,488	-	-	32,000	261,488
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	18,471,422	-	-	-	18,471,422
Affordable Housing	1,193,864	-	-	-	1,193,864
Total	\$ 29,327,095	\$ 1,491,012	\$ -	\$ 57,249	\$ 30,875,356
Current	\$ 29,327,095	\$ 1,477,172	\$ -	\$ 57,249	\$ 30,861,516
Past Due 31-60 Days	-	13,840	-	-	13,840
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	-	-	-
Total	\$ 29,327,095	\$ 1,491,012	\$ -	\$ 57,249	\$ 30,875,356
As of March 31, 2022	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 2,832,974	\$ 1,074,245	\$ -	\$ -	\$ 3,907,219
Working Capital/RCL	3,285,000	300,000	-	-	3,585,000
Microloan	-	132,000	-	-	132,000
Working Capital/Equity Builder	5,222	-	-	-	5,222
Community Facilities	19,292,424	767,849	-	-	20,060,273
Affordable Housing	1,179,263	-	-	-	1,179,263
Total	\$ 26,594,883	\$ 2,274,094	\$ -	\$ -	\$ 28,868,977
Current	\$ 26,594,883	\$ 2,274,094	\$ -	\$ -	\$ 28,868,977
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	-	-	-
Total	\$ 26,594,883	\$ 2,274,094	\$ -	\$ -	\$ 28,868,977

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 3 LOANS RECEIVABLE (CONTINUED)

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:

	Working Capital Business	Working Capital RCL	Microloan	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
March 31, 2023							
<i>Allowance for Loan Losses</i>							
Beginning Balance	\$ 258,576	\$ 210,140	\$ 21,420	\$ 282	\$ 894,976	\$ 58,936	\$ 1,444,330
Charge Offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provisions	65,175	87,506	35,336	(282)	(11,788)	(947)	175,000
Ending Balance	<u>\$ 323,751</u>	<u>\$ 297,646</u>	<u>\$ 56,756</u>	<u>\$ -</u>	<u>\$ 883,188</u>	<u>\$ 57,989</u>	<u>\$ 1,619,330</u>
<i>Allowance for Loan Losses</i>							
Ending Balance: Individually							
Evaluated for Impairment	\$ 133,719	\$ 34,319	\$ 24,000	\$ -	\$ -	\$ -	\$ 192,038
Ending Balance: Collectively							
Evaluated for Impairment	190,032	263,327	32,756	-	883,188	57,989	1,427,292
Total	<u>\$ 323,751</u>	<u>\$ 297,646</u>	<u>\$ 56,756</u>	<u>\$ -</u>	<u>\$ 883,188</u>	<u>\$ 57,989</u>	<u>\$ 1,619,330</u>
<i>Financing Receivables</i>							
Ending Balance: Individually							
Evaluated for Impairment	\$ 1,173,067	\$ 343,194	\$ 32,000	\$ -	\$ -	\$ -	\$ 1,548,261
Ending Balance: Collectively							
Evaluated for Impairment	3,990,890	5,441,431	229,488	-	18,471,422	1,193,864	29,327,095
Total	<u>\$ 5,163,957</u>	<u>\$ 5,784,625</u>	<u>\$ 261,488</u>	<u>\$ -</u>	<u>\$ 18,471,422</u>	<u>\$ 1,193,864</u>	<u>\$ 30,875,356</u>
March 31, 2022							
<i>Allowance for Loan Losses</i>							
Beginning Balance	\$ 284,047	\$ -	\$ -	\$ 25,273	\$ 1,032,083	\$ 77,928	\$ 1,419,331
Charge Offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provisions	(25,471)	210,140	21,420	(24,991)	(137,107)	(18,992)	24,999
Ending Balance	<u>\$ 258,576</u>	<u>\$ 210,140</u>	<u>\$ 21,420</u>	<u>\$ 282</u>	<u>\$ 894,976</u>	<u>\$ 58,936</u>	<u>\$ 1,444,330</u>
<i>Allowance for Loan Losses</i>							
Ending Balance: Individually							
Evaluated for Impairment	\$ 107,425	\$ 210,140	\$ 21,420	\$ 30,000	\$ 76,471	\$ -	\$ 445,456
Ending Balance: Collectively							
Evaluated for Impairment	151,151	-	-	(29,718)	818,505	58,936	998,874
Total	<u>\$ 258,576</u>	<u>\$ 210,140</u>	<u>\$ 21,420</u>	<u>\$ 282</u>	<u>\$ 894,976</u>	<u>\$ 58,936</u>	<u>\$ 1,444,330</u>
<i>Financing Receivables</i>							
Ending Balance: Individually							
Evaluated for Impairment	\$ 107,425	\$ 30,000	\$ 19,800	\$ -	\$ 76,471	\$ -	\$ 233,696
Ending Balance: Collectively							
Evaluated for Impairment	3,799,794	3,555,000	112,200	5,222	19,983,802	1,179,264	28,635,282
Total	<u>\$ 3,907,219</u>	<u>\$ 3,585,000</u>	<u>\$ 132,000</u>	<u>\$ 5,222</u>	<u>\$ 20,060,273</u>	<u>\$ 1,179,264</u>	<u>\$ 28,868,978</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Loan Charge Offs and Recoveries: During fiscal year 2023 and fiscal year 2022, Propel did not charge off any loans.

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 has had great success in using occasional modifications to strengthen the performance of nonprofit borrowers. For FY2023, two loans were modified bringing the total modified balance to be \$1,092,650. Of the modified loans as of March 31, 2023 and 2022, all were performing and were current with payments.

<u>Balances as of March 31, 2023</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 34,440	\$ 1,026,210	\$ -	\$ -	\$ 1,060,650
Working Capital/RCL	-	-	-	-	-
Microloan	-	32,000	-	-	32,000
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	-	-	-	-	-
Affordable Housing	-	-	-	-	-
Total	<u>\$ 34,440</u>	<u>\$ 1,058,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,650</u>

<u>Balances as of March 31, 2023</u>					
Modified in FY2022	\$ -	\$ 697,660	\$ -	\$ -	\$ 697,660
Modified in FY2021	-	-	-	-	-
Modified in FY2020	-	-	-	-	-
Modified in Prior FYs	34,440	360,550	-	-	394,990
Total	<u>\$ 34,440</u>	<u>\$ 1,058,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,650</u>

<u>Balances as of March 31, 2022</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 96,361	\$ 475,828	\$ -	\$ -	\$ 572,189
Working Capital/RCL	-	-	-	-	-
Microloan	-	-	-	-	-
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	-	-	-	-	-
Affordable Housing	-	-	-	-	-
Total	<u>\$ 96,361</u>	<u>\$ 475,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,189</u>

<u>Balances as of March 31, 2022</u>					
Modified in FY2021	\$ -	\$ -	\$ -	\$ -	\$ -
Modified in FY2020	-	-	-	-	-
Modified in FY2019	-	-	-	-	-
Modified in Prior FYs	96,361	475,828	-	-	572,189
Total	<u>\$ 96,361</u>	<u>\$ 475,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,189</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 4 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT

Propel 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, 2023, are made up of the following:

Assets Without Donor Restrictions Available

Within 12 Months:

Cash and Cash Equivalents (Program and Operations)	\$ 531,896
Cash and Cash Equivalents (Loan Fund)	6,746,821
Accounts Receivable (Net of Allowance)	255,145
Loan Interest Receivable	<u>50,075</u>
Total	<u><u>\$ 7,583,937</u></u>

Per its financial policies, Propel 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)	\$ 531,896
Accounts Receivable (Net of Allowance)	255,145
Loan Interest Receivable (Available for Program and Operations)	50,075
Donor-Restricted Assets Estimated to be Released Within 90 Days	<u>693,629</u>
Total	<u><u>\$ 1,530,745</u></u>

Operating Reserve Requirement Per Policy:

Budgeted Operating Expenses FY2024	\$ 8,964,918
Less: Depreciation Expense	(157,630)
Less: Provision for Loan Loss Reserves	(100,000)
Less: Grants to Other Entities with a Corresponding Source of Revenue	<u>(3,144,200)</u>
Subtotal	<u>5,563,088</u>
Total Operating Reserve Requirement	<u><u>\$ 1,390,772</u></u>

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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:

	Balance as of March 31, 2023	Estimated for Release
Cash With Donor Restrictions (Program and Operations)	\$ 4,632,569	\$ 3,037,911
Grants Receivable With Donor Restrictions (Program and Operations)	110,000	110,000
Total	\$ 4,742,569	\$ 3,147,911

Per its loan policies, Propel 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, 2023.

Lines of Credit Available:

	Maturity Date	Balance
Available for Program and Operations and Loan Fund:		
Minnesota Bank & Trust	11/30/2024	\$ 2,000,000
Synchrony Financial	12/31/2025	2,000,000
Total		\$ 4,000,000

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 provides quarterly investor reports that include financial and loan portfolio data. Propel 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, 2023 AND 2022**

NOTE 5 NOTES PAYABLE AND OTHER CAPITAL

Notes payable consist of loans with stated interest from 1.0% to 4.0% maturing through FY2027. Principal payments on notes payable and other capital at March 31, 2023 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2024	\$ 3,963,400
2025	4,949,866
2026	400,000
2027	3,100,000
2028	5,400,000
Thereafter	4,520,179
Total	<u>\$ 22,333,445</u>

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

Propel has entered into participation agreements with Southwest Initiative Foundation (SWIF), and the City of Minneapolis office of Community Planning and Economic Development (CPED). Propel 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, 2023 and 2022 was \$123,972 and \$160,812, respectively.

NOTE 6 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL

Propel has revolving lines of credit that are available for lending capital or operations. Stated interest rates for these lines range from 3-Month Bloomberg Short Term Yield Index plus 2.75% to the Prime Rate as published in the Wall Street Journal. These lines are unsecured. There were no outstanding borrowings as of March 31, 2023 and 2022. At March 31, 2023, 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>
Minnesota Bank & Trust	11/30/2024	\$ 2,000,000
Synchrony Financial	12/31/2025	2,000,000
Total Lines of Credit		<u>\$ 4,000,000</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 7 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 \$125,040 and \$117,946 for the years ended March 31, 2023 and 2022, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Restricted for Specific Purposes:		
Program and Operations	\$ 4,507,569	\$ 7,455,425
Fiscal Sponsorship Fund	300,000	340,000
Restricted for Use Due to Time	<u>235,000</u>	<u>170,000</u>
Total	<u>\$ 5,042,569</u>	<u>\$ 7,965,425</u>

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

	<u>2023</u>	<u>2022</u>
Release for Satisfaction of Specific Purpose:		
Program and Operations	\$ 5,395,356	\$ 3,112,479
Loan Fund	-	89,667
Fiscal Sponsorship Fund	340,000	408,000
Released for Use Due to Time	<u>220,000</u>	<u>108,500</u>
Total	<u>\$ 5,955,356</u>	<u>\$ 3,718,646</u>

NOTE 9 LEASES

Propel Nonprofits leases office space and equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027.

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 9 LEASES (CONTINUED)

The following table provides quantitative information concerning Propel Nonprofits' leases for the year ended March 31, 2023:

Right of Use Assets:	
Financing Lease Right-of-Use Asset:	\$ 31,635
Operating Lease Right-of-Use Asset	1,045,701
Total Leased Right-of-Use Assets	<u>\$ 1,077,336</u>
Lease Liabilities:	
Current:	
Financing Leases	\$ 21,799
Operating Leases	249,375
Noncurrent:	
Financing Leases	10,082
Operating Leases	1,023,289
Total	<u>\$ 1,304,545</u>
Operating Lease Costs	\$ 236,421
Finance Lease Costs	
Amortization of Right-to-Use Assets	\$ 22,072
Interest on Lease Liabilities	\$ 2,319
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 2,319
Operating Cash Flows from Finance Leases	\$ 274,916
Financing Cash Flows from Finance Leases	\$ 21,826
ROU Assets Obtained in Exchange for New Financing Lease Liabilities	\$ 53,707
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,247,167
Leasehold Improvements Obtained in Exchange for New Operating Lease Liabilities	-
Weighted Average Remaining Lease Term:	
Financing Leases	1.7 Years
Operating Leases	4.8 Years
Weighted Average Discount Rate:	
Financing Leases	4.59%
Operating Leases	2.53%

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 9 LEASES (CONTINUED)

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as March 31:

<u>Year Ending March 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 278,139	\$ 27,722
2025	281,361	13,740
2026	284,584	6,234
2027	287,807	4,786
2028	218,071	4,786
Total Lease Payments	1,349,962	57,268
Less: Interest	(77,298)	(25,387)
Present Value of Lease Liabilities	<u>\$ 1,272,664</u>	<u>\$ 31,881</u>

For the year ended March 31, 2023, total rent expense was \$96,517.

**PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2023**

	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
ASSETS									
CURRENT ASSETS									
Cash Accounts	\$ 531,896	\$ 6,746,821	\$ 556,596	\$ 7,835,313	\$ 4,632,569	\$ -	\$ -	\$ 4,632,569	\$ 12,467,882
Certificates of Deposit	106,903	-	-	106,903	-	-	-	-	106,903
Accounts Receivable and Grant Receivables, Net of Allowance of \$9,022	255,145	-	70,000	325,145	110,000	-	300,000	410,000	735,145
Loans Receivable, Net of Allowance of \$385,460	-	6,147,645	-	6,147,645	-	-	-	-	6,147,645
Loan Interest Receivable	50,075	-	-	50,075	-	-	-	-	50,075
Other Receivables	33,701	100	-	33,801	-	-	-	-	33,801
Prepays and Other	107,130	-	-	107,130	-	-	-	-	107,130
Total Current Assets	<u>1,084,850</u>	<u>12,894,566</u>	<u>626,596</u>	<u>14,606,012</u>	<u>4,742,569</u>	<u>-</u>	<u>300,000</u>	<u>5,042,569</u>	<u>19,648,581</u>
NONCURRENT ASSETS									
Loans Receivable, Net of Allowance of \$1,233,870	-	23,108,381	-	23,108,381	-	-	-	-	23,108,381
Fixed Assets, Net of Depreciation	496,153	-	-	496,153	-	-	-	-	496,153
ROU Asset, Net of Amortization	1,045,701	-	-	1,045,701	-	-	-	-	1,045,701
Total Noncurrent Assets	<u>1,541,854</u>	<u>23,108,381</u>	<u>-</u>	<u>24,650,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,650,235</u>
Total Assets	<u>\$ 2,626,704</u>	<u>\$ 36,002,947</u>	<u>\$ 626,596</u>	<u>\$ 39,256,247</u>	<u>\$ 4,742,569</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 5,042,569</u>	<u>\$ 44,298,816</u>

PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2023

	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
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Portion of Notes Payable	\$ -	\$ 3,963,400	\$ -	\$ 3,963,400	\$ -	\$ -	\$ -	\$ -	\$ 3,963,400
Accounts Payable and Accrued Expenses	571,894	601	20,307	592,802	-	-	-	-	592,802
Accrued Interest Payable	59,073	-	-	59,073	-	-	-	-	59,073
Deferred Revenue	11,417	-	-	11,417	-	-	-	-	11,417
Deferred Rent Credit	-	-	-	-	-	-	-	-	-
Loan Receivable Forgiveness	-	1,141,875	-	1,141,875	-	-	-	-	1,141,875
Fund Managed for Fiscally-Sponsored Clients	-	-	606,289	606,289	-	-	-	-	606,289
Total Current Liabilities	642,384	5,105,876	626,596	6,374,856	-	-	-	-	6,374,856
LONG-TERM LIABILITIES									
Notes Payable	-	18,370,045	-	18,370,045	-	-	-	-	18,370,045
ROU Lease Liability	1,326,880	-	-	1,326,880	-	-	-	-	1,326,880
Total Long-Term Liabilities	1,326,880	18,370,045	-	19,696,925	-	-	-	-	19,696,925
Total Liabilities	1,969,264	23,475,921	626,596	26,071,781	-	-	-	-	26,071,781
NET ASSETS									
Without Donor Restrictions	657,440	12,527,026	(0)	13,184,466	-	-	-	-	13,184,466
With Donor Restrictions	-	-	-	-	4,742,569	-	300,000	5,042,569	5,042,569
Total Net Assets	657,440	12,527,026	(0)	13,184,466	4,742,569	-	300,000	5,042,569	18,227,035
Total Liabilities and Net Assets	\$ 2,626,704	\$ 36,002,947	\$ 626,596	\$ 39,256,247	\$ 4,742,569	\$ -	\$ 300,000	\$ 5,042,569	\$ 44,298,816

**PROPEL NONPROFITS
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2023**

	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	
REVENUES									
Gifts and Grants	\$ 2,170,356	\$ 100,000	\$ 1,636,179	\$ 3,906,535	\$ 2,792,500	\$ -	\$ 240,000	\$ 3,032,500	\$ 6,939,035
Loan Interest Income	1,486,310	-	-	1,486,310	-	-	-	-	1,486,310
Loan Fee Revenue	68,677	-	-	68,677	-	-	-	-	68,677
Program Revenue	686,619	-	-	686,619	-	-	-	-	686,619
Investment Income	151,143	-	-	151,143	-	-	-	-	151,143
Net Assets Released from Restrictions	5,675,356	-	280,000	5,955,356	(5,675,356)	-	(280,000)	(5,955,356)	-
Total Revenues	10,238,461	100,000	1,916,179	12,254,640	(2,882,856)	-	(40,000)	(2,922,856)	9,331,784
EXPENSES									
Program Services:									
Training, Guidance, and Knowledge Sharing	1,027,651	-	-	1,027,651	-	-	-	-	1,027,651
Capacity Building Initiatives	4,539,746	-	-	4,539,746	-	-	-	-	4,539,746
Lending	2,149,306	-	-	2,149,306	-	-	-	-	2,149,306
Strategic Services	727,724	-	-	727,724	-	-	-	-	727,724
Accounting and Finance Services	195,547	-	-	195,547	-	-	-	-	195,547
Fiscal Sponsorship and Incorporation Services	284,789	-	1,916,179	2,200,968	-	-	-	-	2,200,968
Total Program Services	8,924,763	-	1,916,179	10,840,942	-	-	-	-	10,840,942
Core Mission Support: Management and General	1,213,796	-	-	1,213,796	-	-	-	-	1,213,796
Core Mission Support: Fundraising	276,296	-	-	276,296	-	-	-	-	276,296
Total Expenses	10,414,855	-	1,916,179	12,331,034	-	-	-	-	12,331,034
CHANGE IN NET ASSETS	(176,394)	100,000	(0)	(76,394)	(2,882,856)	-	(40,000)	(2,922,856)	(2,999,250)
Net Assets - Beginning of Year	833,834	12,427,026	-	13,260,860	7,625,425	-	340,000	7,965,425	21,226,285
NET ASSETS - END OF YEAR	\$ 657,440	\$ 12,527,026	\$ (0)	\$ 13,184,466	\$ 4,742,569	\$ -	\$ 300,000	\$ 5,042,569	\$ 18,227,035



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