

**PROPEL NONPROFITS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED MARCH 31, 2019 AND 2018**

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## 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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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

Our audit as of and for the year ended March 31, 2019 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  
June 20, 2019

**PROPEL NONPROFITS  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2019 AND 2018**

	March 31, 2019			March 31, 2018		
	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	\$ 5,514,079	\$ 1,463,534	\$ 6,977,613	\$ 6,183,379	\$ 693,648	\$ 6,877,027
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$5,300 in 2019 and \$6,331 in 2018	125,277	831,671	956,948	245,704	1,422,895	1,668,599
Loans Receivable, Net of Allowance of \$287,294 in 2019 and \$433,745 in 2018	7,415,427	-	7,415,427	6,505,029	-	6,505,029
Loan Interest Receivable	42,877	-	42,877	79,504	-	79,504
Prepays	89,233	-	89,233	91,230	-	91,230
Total Current Assets	<u>13,186,893</u>	<u>2,295,205</u>	<u>15,482,098</u>	<u>13,104,846</u>	<u>2,116,543</u>	<u>15,221,389</u>
<b>NONCURRENT ASSETS</b>						
Loans Receivable, Net of Allowance of \$1,307,035 in 2019 and \$1,047,257 in 2018	21,394,305	-	21,394,305	15,371,223	-	15,371,223
Other Real Estate Owned, Net	60,811	-	60,811	60,811	-	60,811
Certificates of Deposit	-	393,993	393,993	-	393,993	393,993
Fixed Assets, Net of Depreciation	946,452	-	946,452	1,077,752	-	1,077,752
Total Noncurrent Assets	<u>22,401,568</u>	<u>393,993</u>	<u>22,795,561</u>	<u>16,509,786</u>	<u>393,993</u>	<u>16,903,779</u>
Total Assets	<u>\$ 35,588,461</u>	<u>\$ 2,689,198</u>	<u>\$ 38,277,659</u>	<u>\$ 29,614,632</u>	<u>\$ 2,510,536</u>	<u>\$ 32,125,168</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**MARCH 31, 2019 AND 2018**

	March 31, 2019			March 31, 2018		
	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	\$ 1,402,749	\$ -	\$ 1,402,749	\$ 2,458,207	\$ -	\$ 2,458,207
Accounts Payable and Accrued Expenses	312,813	-	312,813	311,173	-	311,173
Capital Lease Obligation	5,645	-	5,645	4,463	-	4,463
Interest Payable	73,192	-	73,192	87,545	-	87,545
Deferred Revenue	10,675	-	10,675	8,875	-	8,875
Deferred Rent Credit	31,570	-	31,570	31,570	-	31,570
Funds Managed for Fiscally-Sponsored Clients	1,133,697	-	1,133,697	996,490	-	996,490
Total Current Liabilities	<u>2,970,341</u>	<u>-</u>	<u>2,970,341</u>	<u>3,898,323</u>	<u>-</u>	<u>3,898,323</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable	21,347,101	-	21,347,101	14,909,440	-	14,909,440
Capital Lease Obligation	17,435	-	17,435	11,274	-	11,274
Deferred Rent Credit	244,670	-	244,670	276,241	-	276,241
Total Long-Term Liabilities	<u>21,609,206</u>	<u>-</u>	<u>21,609,206</u>	<u>15,196,955</u>	<u>-</u>	<u>15,196,955</u>
Total Liabilities	24,579,547	-	24,579,547	19,095,278	-	19,095,278
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Undesignated	11,008,914	-	11,008,914	10,519,354	-	10,519,354
With Donor Restrictions	-	2,689,198	2,689,198	-	2,510,536	2,510,536
Total Net Assets	<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>
Total Liabilities and Net Assets	<u>\$ 35,588,461</u>	<u>\$ 2,689,198</u>	<u>\$ 38,277,659</u>	<u>\$ 29,614,632</u>	<u>\$ 2,510,536</u>	<u>\$ 32,125,168</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2019 AND 2018**

	March 31, 2019			March 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Gifts and Grants	\$ 1,192,223	\$ 4,406,174	\$ 5,598,397	\$ 383,410	\$ 3,336,294	\$ 3,719,704
Loan Interest Income	1,590,053	-	1,590,053	1,226,144	-	1,226,144
Loan Fee Revenue	98,277	-	98,277	121,949	-	121,949
Program Revenue	835,251	-	835,251	1,034,244	-	1,034,244
Investment Income	25,344	-	25,344	21,032	-	21,032
Net Assets Released from Restrictions	4,227,512	(4,227,512)	-	5,526,706	(5,526,706)	-
Total Revenues	<u>7,968,660</u>	<u>178,662</u>	<u>8,147,322</u>	<u>8,313,485</u>	<u>(2,190,412)</u>	<u>6,123,073</u>
<b>EXPENSES</b>						
Program Service:						
Training, Guidance, and Knowledge Sharing	655,866	-	655,866	737,823	-	737,823
Lending	1,706,720	-	1,706,720	1,954,288	-	1,954,288
Strategic Services	1,044,548	-	1,044,548	470,101	-	470,101
Accounting and Finance Services	575,368	-	575,368	585,312	-	585,312
FS and Incorporation Services	2,613,186	-	2,613,186	2,473,614	-	2,473,614
Total Program Services	<u>6,595,688</u>	<u>-</u>	<u>6,595,688</u>	<u>6,221,138</u>	<u>-</u>	<u>6,221,138</u>
Core Mission Support: Management and General	756,837	-	756,837	654,879	-	654,879
Core Mission Support: Fundraising	126,575	-	126,575	86,875	-	86,875
Total Expenses	<u>7,479,100</u>	<u>-</u>	<u>7,479,100</u>	<u>6,962,892</u>	<u>-</u>	<u>6,962,892</u>
<b>CHANGE IN NET ASSETS</b>	489,560	178,662	668,222	1,350,593	(2,190,412)	(839,819)
Net Assets - Beginning of Year	<u>10,519,354</u>	<u>2,510,536</u>	<u>13,029,890</u>	<u>9,168,761</u>	<u>4,700,948</u>	<u>13,869,709</u>
<b>NET ASSETS - END OF YEAR</b>	<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>

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	One-Time Merger Expenses	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	<u>\$ 856,202</u>	<u>\$ 1,962,482</u>	<u>\$ 1,181,336</u>	<u>\$ 784,299</u>	<u>\$ 2,694,781</u>	<u>\$ 7,479,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,479,100</u>

See accompanying Notes to Financial Statements.



**PROPEL NONPROFITS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MARCH 31, 2018**

	Program Services						Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	One-Time Merger Expenses	Management and General	Fundraising	Subtotal	
<b>EXPENSES</b>											
Personnel Expenses	\$ 414,356	\$ 577,051	\$ 243,596	\$ 420,672	\$ 176,378	\$ 1,832,053	\$ 39,779	\$ 390,556	\$ 46,144	\$ 476,479	\$ 2,308,532
Contracted Services	168,033	14,048	61,731	48,613	16,384	308,809	13,952	33,334	32,336	79,622	388,431
Grants to Other Entities	40,000	-	102,700	-	2,225,945	2,368,645	-	-	-	-	2,368,645
Capital Support to Nonprofits	-	43,333	-	-	-	43,333	-	-	-	-	43,333
Occupancy	35,538	55,035	26,898	49,686	22,173	189,330	-	44,095	3,637	47,732	237,062
Equipment and Technology Expense	26,566	39,093	20,254	38,565	16,351	140,829	2,468	38,491	2,870	43,829	184,658
Travel Expenses	15,878	10,822	1,974	4,391	1,860	34,925	-	3,677	77	3,754	38,679
Meeting Expenses	12,861	3,082	4,841	940	2,197	23,921	7,636	6,100	89	13,825	37,746
Marketing and Communications Expenses	7,147	3,358	1,604	3,354	1,555	17,018	28,617	1,863	247	30,727	47,745
Other Operating Expenses	17,444	24,691	6,503	16,827	7,310	72,775	5,895	38,240	1,475	45,610	118,385
Interest Expense on Debt	-	330,133	-	-	-	330,133	-	-	-	-	330,133
Provision for Loan Loss Reserve	-	845,466	-	-	-	845,466	-	-	-	-	845,466
Other Filing and Fee Expense	-	8,176	-	2,264	3,461	13,901	-	176	-	176	14,077
Total Direct Expenses	737,823	1,954,288	470,101	585,312	2,473,614	6,221,138	98,347	556,532	86,875	741,754	6,962,892
Administrative Allocation	101,964	155,243	78,360	146,972	63,002	545,541	-	(556,531)	10,990	(545,541)	-
Fundraising Allocation	18,245	28,552	14,632	25,335	11,101	97,865	-	-	(97,865)	(97,865)	-
True Program Costs	<u>\$ 858,032</u>	<u>\$ 2,138,083</u>	<u>\$ 563,093</u>	<u>\$ 757,619</u>	<u>\$ 2,547,717</u>	<u>\$ 6,864,544</u>	<u>\$ 98,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,348</u>	<u>\$ 6,962,892</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 668,222	\$ (839,819)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	198,523	138,842
Provision for Loan Loss Reserve	113,326	541,841
Amortization of Note Payable Commitment Fee	1,084	-
Gain on Sale of Fixed Assets	-	1,018
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	711,651	298,335
Loan Interest Receivable	36,627	(45,571)
Prepays	1,997	109,553
Accounts Payable and Accrued Expenses	1,640	79,710
Interest Payable	(14,353)	51,199
Deferred Revenue	1,800	5,765
Deferred Rent Credit	(31,571)	307,811
Cash Receipts on Behalf of Fiscally Sponsored Clients	3,124,514	2,931,272
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(2,986,883)	(2,885,163)
Net Cash Provided by Operating Activities	1,826,577	694,793
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable Principal Advanced	(15,962,029)	(13,445,498)
Loan Receivable Repayments	8,782,759	8,524,019
Loan Forgiveness - Equity Builder Program	174,167	43,333
Loan Receivable - Capitalized Interest	(41,704)	-
Loan Receivable Charge Offs	-	304,135
Purchase of Fixed Assets	(67,222)	(1,111,811)
Net Change in Certificates of Deposit	-	35,983
Net Cash Used by Investing Activities	(7,114,029)	(5,649,839)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Notes Payable	7,540,449	6,081,122
Principal Payments on Notes Payable	(2,149,656)	(1,674,974)
Note Payable Commitment Fee	(10,504)	-
Principal Payments on Capital Lease Obligation	7,749	12,621
Net Cash Provided by Financing Activities	5,388,038	4,418,769
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	100,586	(536,277)
Cash and Cash Equivalents - Beginning of Year	6,877,027	7,413,304
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,977,613	\$ 6,877,027
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Payments for Interest During the Year	\$ 442,492	\$ 278,934

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits 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, 2019 AND 2018**

**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, 2019 and 2018.

**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, 2019 AND 2018**

**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 \$5,300 and \$6,331 as of March 31, 2019 and 2018, 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 \$5,300 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.

**Contributions**

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.

**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, 2019 or 2018.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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.

**Subsequent Events**

In preparing these financial statements, Propel Nonprofits has evaluated events and transactions for potential recognition or disclosure through June 20, 2019, the date the financial statements were available to be issued. On April 30, 2019, Propel Nonprofits sold the West Concord, Minnesota property and subsequently received cash in the amount of \$39,456. This property was originally acquired in lieu of a loan foreclosure and was held at fair value less the cost to sell. The cash received is net of the fair market value \$60,811 minus closing costs of \$5,544 and minus the loss on the sale of property of \$15,811.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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, 2019 and 2018, the total liability of funds managed for fiscally-sponsored clients was \$1,133,697 and \$996,490, 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, 2019 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2020, Net of Allowance of \$287,294	\$ 7,415,427
2021 through 2024, Net of Allowance of \$1,127,992	17,707,636
Thereafter, Net of Allowance of \$179,043	<u>3,686,669</u>
Total	<u><u>\$ 28,809,732</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

Propel Nonprofits has the following commitments as of March 31, 2019:

Available Nonrevolving Lines of Credit, with Maturities to FY2019	\$ 26,385
Available Lines of Credit, with Maturities through FY2020	3,296,840
Term Loans Originated but Not Fully Disbursed as of Year-End	<u>200,000</u>
Total Commitments	<u><u>\$ 3,523,225</u></u>

Loans receivable at March 31 were comprised of the following:

	<u>2019</u>	<u>2018</u>
Working Capital/Business	\$ 9,050,093	\$ 5,945,832
Working Capital/Equity Builder	1,650,619	1,464,388
Community Facilities	17,578,201	14,091,045
Affordable Housing	<u>2,125,148</u>	<u>1,855,989</u>
Subtotal	30,404,061	23,357,254
Allowance for Loan Losses	<u>(1,594,329)</u>	<u>(1,481,002)</u>
Loans Receivable, Net	<u><u>\$ 28,809,732</u></u>	<u><u>\$ 21,876,252</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, 2019 AND 2018**

**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, 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>
<u>As of March 31, 2018</u>						
Working Capital/Business	\$ 5,595,832	\$ -	\$ -	\$ 350,000	\$ 5,945,832	\$ -
Working Capital/Equity Builder	1,464,388	-	-	-	1,464,388	-
Community Facilities	13,299,041	-	-	792,004	14,091,045	-
Affordable Housing	1,855,989	-	-	-	1,855,989	-
Total	<u>\$ 22,215,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142,004</u>	<u>\$ 23,357,254</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, 2019 AND 2018**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<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>
<u>As of March 31, 2018</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital/Business	\$ 5,548,045	\$ 247,787	\$ 150,000	\$ -	\$ 5,945,832
Working Capital/Equity Builder	1,464,388	-	-	-	1,464,388
Community Facilities	12,972,854	792,004	326,187	-	14,091,045
Affordable Housing	1,855,989	-	-	-	1,855,989
Total	<u>\$ 21,841,276</u>	<u>\$ 1,039,791</u>	<u>\$ 476,187</u>	<u>\$ -</u>	<u>\$ 23,357,254</u>
Current	\$ 21,841,276	\$ 47,787	\$ 326,187	\$ -	\$ 22,215,250
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	992,004	150,000	-	1,142,004
Total	<u>\$ 21,841,276</u>	<u>\$ 1,039,791</u>	<u>\$ 476,187</u>	<u>\$ -</u>	<u>\$ 23,357,254</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>March 31, 2019</u>	<u>Working Capital Business</u>	<u>Working Capital Equity Builder</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<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>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<u>March 31, 2018</u>	Working Capital Business	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>					
Beginning Balance	\$ 340,671	\$ 23,162	\$ 538,012	\$ 37,317	\$ 939,162
Charge Offs	(304,126)	-	-	-	(304,126)
Recoveries	500	-	-	-	500
Provisions	269,064	42,783	495,270	38,349	845,466
Ending Balance	<u>\$ 306,109</u>	<u>\$ 65,945</u>	<u>\$ 1,033,282</u>	<u>\$ 75,666</u>	<u>\$ 1,481,002</u>
<i>Allowance for Loan Losses</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 24,779	\$ -	\$ 467,503	\$ -	\$ 492,282
Ending Balance: Collectively Evaluated for Impairment	281,330	65,945	565,779	75,666	988,720
Total	<u>\$ 306,109</u>	<u>\$ 65,945</u>	<u>\$ 1,033,282</u>	<u>\$ 75,666</u>	<u>\$ 1,481,002</u>
<i>Financing Receivables</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 397,787	\$ -	\$ 1,118,191	\$ -	\$ 1,515,978
Ending Balance: Collectively Evaluated for Impairment	5,548,045	1,464,388	12,972,854	1,855,989	21,841,276
Total	<u>\$ 5,945,832</u>	<u>\$ 1,464,388</u>	<u>\$ 14,091,045</u>	<u>\$ 1,855,989</u>	<u>\$ 23,357,254</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, Minnesota. 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 in excess of the carrying amount of the loans on which the property served as collateral. The property was recorded at carrying amount. As of March 31, 2018, the recorded carrying amount is \$60,811.

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

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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 FY2019, four loans totaling \$1,140,627 were modified bringing the total balance of modified loans to \$2,187,467. In FY2018, two loans totaling \$103,842 were modified and the balance of modified loans as of March 31, 2018 was \$1,382,545. Of the modified loans as of March 31, 2019 and 2018, all were performing and were current with payments.

<u>Balances as of March 31, 2019</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>

<u>Balances as of March 31, 2018</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 614,357	\$ 23,690	\$ -	\$ -	\$ 638,047
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	744,498	-	-	-	744,498
Affordable Housing	-	-	-	-	-
Total	<u>\$ 1,358,855</u>	<u>\$ 23,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,545</u>

<u>Balances as of March 31, 2018</u>					
Modified in FY2017	\$ 103,842	\$ -	\$ -	\$ -	\$ 103,842
Modified in FY2016	885,351	23,690	-	-	909,041
Modified in FY2015	171,132	-	-	-	171,132
Modified in Prior FYs	198,530	-	-	-	198,530
Total	<u>\$ 1,358,855</u>	<u>\$ 23,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,545</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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, 2019, are made up of the following:

Assets Without Donor Restrictions Available

Within 12 Months:

Cash and Cash Equivalents (Program and Operations)	\$ 966,932
Cash and Cash Equivalents (Loan Fund)	3,413,450
Accounts Receivable (Net of Allowance)	125,277
Loan Interest Receivable	<u>42,877</u>
Total	<u><u>\$ 4,548,536</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)	\$ 966,932
Accounts Receivable (Net of Allowance)	125,277
Loan Interest Receivable (Available for Program and Operations)	42,877
Donor-Restricted Assets Estimated to be Released Within 90 Days	<u>445,922</u>
Total	<u><u>\$ 1,581,008</u></u>

Operating Reserve Requirement Per Policy:

Budgeted Operating Expenses FY2019	\$ 4,789,617
Less: Depreciation Expense	(190,235)
Less: Provision for Loan Loss Reserves	(100,000)
Less: Grants to Other Entities with a Corresponding	<u>(265,558)</u>
Subtotal	<u>4,233,824</u>
Total Operating Reserve Requirement	<u><u>\$ 1,058,456</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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, 2019	Estimated for Release
Cash With Donor Restrictions (Program and Operations)	\$ 763,534	\$ 481,671
Grants Receivable With Donor Restrictions (Program and Operations)	831,671	831,671
Cash Accounts With Donor Restrictions (Loan Fund)	700,000	700,000
Certificates of Deposit With Donor Restrictions (Program and Operations)	393,993	-
Total	<u>\$ 2,689,198</u>	<u>\$ 2,013,342</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, 2019.

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	11/30/2019	2,000,000
The Minneapolis Foundation	4/1/2022	2,000,000
Alerus Foundation	5/31/2020	500,000
Total		<u>\$ 6,500,000</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, 2019 AND 2018**

**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 \$14,861 and \$12,690 in FY2019 and FY2018, 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 FY2019 resulted in an effective rate of 0.30%. There were no outstanding borrowings on the line of credit as of March 31, 2019 and 2018.

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 \$19,333 and \$16,370 for the years ended March 31, 2019 and 2018, 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, 2019 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2020	\$ 1,402,749
2021	662,298
2022	3,167,476
2023	2,952,275
2024	3,500,000
Thereafter	11,065,052
Total	<u><u>\$ 22,749,850</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, 2019 and 2018 was \$362,561 and \$421,845, respectively.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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, 2019 and 2018. At March 31, 2019, 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	11/30/2019	2,000,000
Alerus Foundation	05/31/2020	500,000
Total Lines of Credit		<u>\$ 6,500,000</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 \$100,434 and \$90,454 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Restricted for Specific Purposes:		
Program and Operations	\$ 1,558,270	\$ 1,147,640
Loan Fund	700,000	776,500
Fiscal Sponsorship Fund	80,928	-
Restricted for Use Due to Time	350,000	586,396
Total	<u>\$ 2,689,198</u>	<u>\$ 2,510,536</u>

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

	<u>2019</u>	<u>2018</u>
Release for Satisfaction of Specific Purpose:		
Program and Operations	\$ 447,619	\$ 1,200,761
Loan Fund	776,500	1,975,000
Fiscal Sponsorship Fund	2,416,997	2,225,945
Released for Use Due to Time	586,396	125,000
Total	<u>\$ 4,227,512</u>	<u>\$ 5,526,706</u>



**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**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 \$109,315 for the years ended March 31, 2019 and 2018, respectively.

As of March 31, 2018, Propel Nonprofits had two office copiers under 60-month capital lease agreements which were recorded as fixed assets - copier one at \$10,342 and copier two at \$16,371. In October 2018, the lease for copier one expired and was replaced with a new copier (copier three) under a new 60-month capital lease agreement and was recorded as a fixed asset at \$12,745. As of March 31, 2019 and 2018, accumulated depreciation on the copiers was \$5,995 and \$956, respectively. Propel Nonprofits also leases other office equipment such as desktop telephones and a postage meter. Total equipment lease expense was \$3,696 and \$2,271 for the years ended March 31, 2019 and 2018, respectively.

Future minimum lease payments under all leases as of March 31, 2019 are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Other</u>	<u>Total</u>
2020	\$ 109,736	\$ 7,012	\$ 2,348	\$ 119,096
2021	125,413	5,914	391	131,718
2022	131,790	6,194	-	137,984
2023	135,012	3,662	-	138,674
2024	138,235	1,666	-	139,901
Thereafter	547,185	-	-	547,185
Future Minimum Payments	1,187,371	24,448	2,739	1,214,558
Less: Interest	-	(1,368)	-	(1,368)
Present Value of Future Minimum Payments	<u>\$ 1,187,371</u>	<u>\$ 23,080</u>	<u>\$ 2,739</u>	<u>\$ 1,213,190</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 FY19, the amount of amortized rent credit was \$23,677.

**PROPEL NONPROFITS  
SCHEDULE OF FINANCIAL POSITION BY FUND  
MARCH 31, 2019**

	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	\$ 966,932	\$ 3,413,450	\$ 1,133,697	\$ 5,514,079	\$ 682,606	\$ 700,000	\$ 80,928	\$ 1,463,534	\$ 6,977,613
Accounts Receivable and Grant Receivables, Net of Allowance of \$5,300	125,277	-	-	125,277	831,671	-	-	831,671	956,948
Loans Receivable, Net of Allowance of \$287,294	-	7,415,427	-	7,415,427	-	-	-	-	7,415,427
Loan Interest Receivable	42,877	-	-	42,877	-	-	-	-	42,877
Prepays and Other	89,233	-	-	89,233	-	-	-	-	89,233
Total Current Assets	<u>1,224,319</u>	<u>10,828,877</u>	<u>1,133,697</u>	<u>13,186,893</u>	<u>1,514,277</u>	<u>700,000</u>	<u>80,928</u>	<u>2,295,205</u>	<u>15,482,098</u>
<b>NONCURRENT ASSETS</b>									
Loans Receivable, Net of Allowance of \$1,307,035	-	21,394,305	-	21,394,305	-	-	-	-	21,394,305
Other Real Estate Owned, Net	-	60,811	-	60,811	-	-	-	-	60,811
Certificates of Deposit	-	-	-	-	393,993	-	-	393,993	393,993
Fixed Assets, Net of Depreciation	946,452	-	-	946,452	-	-	-	-	946,452
Total Noncurrent Assets	<u>946,452</u>	<u>21,455,116</u>	<u>-</u>	<u>22,401,568</u>	<u>393,993</u>	<u>-</u>	<u>-</u>	<u>393,993</u>	<u>22,795,561</u>
Total Assets	<u>\$ 2,170,771</u>	<u>\$ 32,283,993</u>	<u>\$ 1,133,697</u>	<u>\$ 35,588,461</u>	<u>\$ 1,908,270</u>	<u>\$ 700,000</u>	<u>\$ 80,928</u>	<u>\$ 2,689,198</u>	<u>\$ 38,277,659</u>

**PROPEL NONPROFITS**  
**SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)**  
**MARCH 31, 2019**

	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	\$ 93,705	\$ 1,309,044	\$ -	\$ 1,402,749	\$ -	\$ -	\$ -	\$ -	\$ 1,402,749
Accounts Payable and Accrued Expenses	312,813	-	-	312,813	-	-	-	-	312,813
Capital Lease Obligation	5,645	-	-	5,645	-	-	-	-	5,645
Accrued Interest Payable	73,192	-	-	73,192	-	-	-	-	73,192
Deferred Revenue	10,675	-	-	10,675	-	-	-	-	10,675
Deferred Rent Credit	31,570	-	-	31,570	-	-	-	-	31,570
Fund Managed for Fiscally-Sponsored Clients	-	-	1,133,697	1,133,697	-	-	-	-	1,133,697
Total Current Liabilities	527,600	1,309,044	1,133,697	2,970,341	-	-	-	-	2,970,341
<b>LONG-TERM LIABILITIES</b>									
Notes Payable	241,844	21,105,257	-	21,347,101	-	-	-	-	21,347,101
Capital Lease Obligation	17,435	-	-	17,435	-	-	-	-	17,435
Deferred Rent Credit	244,670	-	-	244,670	-	-	-	-	244,670
Total Long-Term Liabilities	503,949	21,105,257	-	21,609,206	-	-	-	-	21,609,206
Total Liabilities	1,031,549	22,414,301	1,133,697	24,579,547	-	-	-	-	24,579,547
<b>NET ASSETS</b>									
Without Donor Restrictions:									
Undesignated	1,139,222	9,869,692	-	11,008,914	-	-	-	-	11,008,914
With Donor Restrictions:									
Total Net Assets	1,139,222	9,869,692	-	11,008,914	1,908,270	700,000	80,928	2,689,198	13,698,112
Total Liabilities and Net Assets	\$ 2,170,771	\$ 32,283,993	\$ 1,133,697	\$ 35,588,461	\$ 1,908,270	\$ 700,000	\$ 80,928	\$ 2,689,198	\$ 38,277,659

**PROPEL NONPROFITS  
SCHEDULE OF ACTIVITIES BY FUND  
YEAR ENDED MARCH 31, 2019**

	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	\$ 1,192,223	\$ -	\$ -	\$ 1,192,223	\$ 1,208,249	\$ 700,000	\$ 2,497,925	\$ 4,406,174	\$ 5,598,397
Loan Interest Income	1,590,053	-	-	1,590,053	-	-	-	-	1,590,053
Loan Fee Revenue	98,277	-	-	98,277	-	-	-	-	98,277
Program Revenue	835,251	-	-	835,251	-	-	-	-	835,251
Investment Income	25,344	-	-	25,344	-	-	-	-	25,344
Net Assets Released from Restrictions	1,034,015	776,500	2,416,997	4,227,512	(1,034,015)	(776,500)	(2,416,997)	(4,227,512)	-
Total Revenues	4,775,163	776,500	2,416,997	7,968,660	174,234	(76,500)	80,928	178,662	8,147,322
<b>EXPENSES</b>									
Program Services:									
Training, Guidance, and Knowledge Sharing	655,866	-	-	655,866	-	-	-	-	655,866
Lending	1,593,392	113,328	-	1,706,720	-	-	-	-	1,706,720
Strategic Services	1,044,548	-	-	1,044,548	-	-	-	-	1,044,548
Accounting and Finance Services	575,368	-	-	575,368	-	-	-	-	575,368
Fiscal Sponsorship and Incorporation Services	196,189	-	2,416,997	2,613,186	-	-	-	-	2,613,186
Total Program Services	4,065,363	113,328	2,416,997	6,595,688	-	-	-	-	6,595,688
Core Mission Support: Management and General	756,837	-	-	756,837	-	-	-	-	756,837
Core Mission Support: Fundraising	126,575	-	-	126,575	-	-	-	-	126,575
Total Expenses	4,948,775	113,328	2,416,997	7,479,100	-	-	-	-	7,479,100
<b>CHANGE IN NET ASSETS</b>	(173,612)	663,172	-	489,560	174,234	(76,500)	80,928	178,662	668,222
Net Assets - Beginning of Year	1,312,834	9,206,520	-	10,519,354	1,734,036	776,500	-	2,510,536	13,029,890
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,139,222</u>	<u>\$ 9,869,692</u>	<u>\$ -</u>	<u>\$ 11,008,914</u>	<u>\$ 1,908,270</u>	<u>\$ 700,000</u>	<u>\$ 80,928</u>	<u>\$ 2,689,198</u>	<u>\$ 13,698,112</u>