

**PROPEL NONPROFITS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED MARCH 31, 2021 AND 2020**



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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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

Our audit as of and for the year ended March 31, 2021 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 30, 2021

**PROPEL NONPROFITS  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2021 AND 2020**

	March 31, 2021			March 31, 2020		
	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	\$ 12,475,035	\$ 2,410,723	\$ 14,885,758	\$ 7,715,888	\$ 1,821,446	\$ 9,537,334
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$10,053 in 2021 and \$5,850 in 2020	160,350	328,332	488,682	167,785	1,370,067	1,537,852
Loans Receivable, Net of Allowance of \$385,460 in 2021 and 2020	5,215,515	-	5,215,515	9,059,937	-	9,059,937
Loan Interest Receivable	53,798	-	53,798	107,362	-	107,362
Prepays	103,260	-	103,260	122,812	-	122,812
Total Current Assets	18,007,958	2,739,055	20,747,013	17,173,784	3,191,513	20,365,297
<b>NONCURRENT ASSETS</b>						
Loans Receivable, Net of Allowance of \$1,033,870 in 2021 and \$1,208,870 in 2020	18,271,804	-	18,271,804	19,360,154	-	19,360,154
Certificates of Deposit	100,000	84,349	184,349	100,000	84,349	184,349
Fixed Assets, Net of Depreciation	667,910	-	667,910	818,022	-	818,022
Total Noncurrent Assets	19,039,714	84,349	19,124,063	20,278,176	84,349	20,362,525
Total Assets	\$ 37,047,672	\$ 2,823,404	\$ 39,871,076	\$ 37,451,960	\$ 3,275,862	\$ 40,727,822

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**MARCH 31, 2021 AND 2020**

	March 31, 2021			March 31, 2020		
	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	\$ 2,197,156	\$ -	\$ 2,197,156	\$ 1,799,042	\$ -	\$ 1,799,042
Accounts Payable and Accrued Expenses	592,713	-	592,713	282,634	-	282,634
Capital Lease Obligation	23,963	-	23,963	14,786	-	14,786
Interest Payable	88,643	-	88,643	103,390	-	103,390
Deferred Revenue	561,750	-	561,750	576,190	-	576,190
Deferred Rent Credit	31,570	-	31,570	31,570	-	31,570
Funds Managed for Fiscally-Sponsored Clients	690,659	-	690,659	1,080,943	-	1,080,943
Total Current Liabilities	<u>4,186,454</u>	<u>-</u>	<u>4,186,454</u>	<u>3,888,555</u>	<u>-</u>	<u>3,888,555</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable	20,333,507	-	20,333,507	21,721,580	-	21,721,580
Capital Lease Obligation	24,545	-	24,545	22,007	-	22,007
Deferred Rent Credit	181,529	-	181,529	213,100	-	213,100
Total Long-Term Liabilities	<u>20,539,581</u>	<u>-</u>	<u>20,539,581</u>	<u>21,956,687</u>	<u>-</u>	<u>21,956,687</u>
Total Liabilities	24,726,035	-	24,726,035	25,845,242	-	25,845,242
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Undesignated	12,321,637	-	12,321,637	11,606,718	-	11,606,718
With Donor Restrictions	-	2,823,404	2,823,404	-	3,275,862	3,275,862
Total Net Assets	<u>12,321,637</u>	<u>2,823,404</u>	<u>15,145,041</u>	<u>11,606,718</u>	<u>3,275,862</u>	<u>14,882,580</u>
Total Liabilities and Net Assets	<u>\$ 37,047,672</u>	<u>\$ 2,823,404</u>	<u>\$ 39,871,076</u>	<u>\$ 37,451,960</u>	<u>\$ 3,275,862</u>	<u>\$ 40,727,822</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2021 AND 2020**

	March 31, 2021			March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Gifts and Grants	\$ 3,816,110	\$ 1,822,390	\$ 5,638,500	\$ 548,395	\$ 5,154,963	\$ 5,703,358
Loan Interest Income	1,547,140	-	1,547,140	1,720,223	-	1,720,223
Loan Fee Revenue	60,026	-	60,026	108,268	-	108,268
Program Revenue	459,811	-	459,811	743,423	-	743,423
Investment Income	15,487	-	15,487	80,433	-	80,433
Other Income	15,810	-	15,810	(15,811)	-	(15,811)
Net Assets Released from Restrictions	2,274,848	(2,274,848)	-	4,568,299	(4,568,299)	-
Total Revenues	<u>8,189,232</u>	<u>(452,458)</u>	<u>7,736,774</u>	<u>7,753,230</u>	<u>586,664</u>	<u>8,339,894</u>
<b>EXPENSES</b>						
Program Service:						
Training, Guidance, and Knowledge Sharing	1,384,355	-	1,384,355	825,599	-	825,599
Lending	1,399,996	-	1,399,996	1,539,076	-	1,539,076
Strategic Services	601,660	-	601,660	703,899	-	703,899
Accounting and Finance Services	209,244	-	209,244	352,013	-	352,013
FS and Incorporation Services	2,713,971	-	2,713,971	2,753,602	-	2,753,602
Total Program Services	<u>6,309,226</u>	<u>-</u>	<u>6,309,226</u>	<u>6,174,189</u>	<u>-</u>	<u>6,174,189</u>
Core Mission Support: Management and General	966,383	-	966,383	829,144	-	829,144
Core Mission Support: Fundraising	198,704	-	198,704	152,093	-	152,093
Total Expenses	<u>7,474,313</u>	<u>-</u>	<u>7,474,313</u>	<u>7,155,426</u>	<u>-</u>	<u>7,155,426</u>
<b>CHANGE IN NET ASSETS</b>	714,919	(452,458)	262,461	597,804	586,664	1,184,468
Net Assets - Beginning of Year	<u>11,606,718</u>	<u>3,275,862</u>	<u>14,882,580</u>	<u>11,008,914</u>	<u>2,689,198</u>	<u>13,698,112</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,321,637</u>	<u>\$ 2,823,404</u>	<u>\$ 15,145,041</u>	<u>\$ 11,606,718</u>	<u>\$ 3,275,862</u>	<u>\$ 14,882,580</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MARCH 31, 2021**

	Program Services					Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	Management and General	Fundraising	Subtotal	
<b>EXPENSES</b>										
Personnel Expenses	\$ 614,647	\$ 699,979	\$ 478,789	\$ 172,897	\$ 169,080	\$ 2,135,392	\$ 662,496	\$ 146,084	\$ 808,580	\$ 2,943,972
Contracted Services	151,435	16,220	375	1,350	1,965	171,345	160,493	25,200	185,693	357,038
Grants to Other Entities	482,000	10,500	-	-	2,489,746	2,982,246	-	-	-	2,982,246
Capital Support to Nonprofits	-	212,500	-	-	-	212,500	-	-	-	212,500
Occupancy	62,943	60,151	45,666	16,139	17,098	201,997	58,634	13,268	71,902	273,899
Equipment and Technology Expense	57,958	62,768	40,324	14,828	29,270	205,148	53,298	11,601	64,899	270,047
Travel Expenses	58	133	10	21	29	251	7	-	7	258
Meeting Expenses	-	695	569	-	-	1,264	865	-	865	2,129
Marketing and Communications Expenses	2,482	2,314	1,728	589	635	7,748	1,378	452	1,830	9,578
Other Operating Expenses	12,832	13,376	34,199	3,382	6,148	69,937	29,212	2,099	31,311	101,248
Interest Expense on Debt	-	493,855	-	-	-	493,855	-	-	-	493,855
Provision for Loan Loss Reserve	-	(174,999)	-	-	-	(174,999)	-	-	-	(174,999)
Other Filing and Fee Expense	-	2,504	-	38	-	2,542	-	-	-	2,542
Total Direct Expenses	1,384,355	1,399,996	601,660	209,244	2,713,971	6,309,226	966,383	198,704	1,165,087	7,474,313
Administrative Allocation	280,964	268,549	206,213	73,598	77,197	906,521	(966,383)	59,863	(906,520)	-
Fundraising Allocation	80,588	77,020	58,709	20,473	21,776	258,566	-	(258,567)	(258,567)	-
True Program Costs	<u>\$ 1,745,907</u>	<u>\$ 1,745,565</u>	<u>\$ 866,582</u>	<u>\$ 303,315</u>	<u>\$ 2,812,944</u>	<u>\$ 7,474,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,474,313</u>

See accompanying Notes to Financial Statements.



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

	Program Services					Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	Management and General	Fundraising	Subtotal	
<b>EXPENSES</b>										
Personnel Expenses	\$ 558,394	\$ 539,633	\$ 415,957	\$ 273,813	\$ 186,055	\$ 1,973,852	\$ 575,120	\$ 105,323	\$ 680,443	\$ 2,654,295
Contracted Services	95,060	16,620	23,568	2,650	1,379	139,277	100,766	18,000	118,766	258,043
Grants to Other Entities	-	70,206	164,095	-	2,519,495	2,753,796	-	-	-	2,753,796
Capital Support to Nonprofits	-	215,833	-	-	-	215,833	-	-	-	215,833
Occupancy	65,239	60,462	46,151	30,681	20,735	223,268	63,335	10,659	73,994	297,262
Equipment and Technology Expense	48,015	51,238	32,032	30,762	15,193	177,240	45,932	7,156	53,088	230,328
Travel Expenses	9,912	6,512	4,608	474	1,549	23,055	5,535	6,965	12,500	35,555
Meeting Expenses	21,344	8,408	2,783	432	1,172	34,139	2,547	1,748	4,295	38,434
Marketing and Communications Expenses	10,820	5,586	3,579	2,106	1,596	23,687	572	815	1,387	25,074
Other Operating Expenses	16,815	12,245	11,126	10,247	6,428	56,861	35,260	1,427	36,687	93,548
Interest Expense on Debt	-	535,803	-	-	-	535,803	-	-	-	535,803
Provision for Loan Loss Reserve	-	-	-	-	-	-	-	-	-	-
Other Filing and Fee Expense	-	16,530	-	848	-	17,378	77	-	77	17,455
Total Direct Expenses	825,599	1,539,076	703,899	352,013	2,753,602	6,174,189	829,144	152,093	981,237	7,155,426
Administrative Allocation	227,762	214,684	165,484	108,597	76,331	792,858	(829,144)	36,286	(792,858)	-
Fundraising Allocation	51,116	53,196	36,940	28,916	18,211	188,379	-	(188,379)	(188,379)	-
True Program Costs	<u>\$ 1,104,477</u>	<u>\$ 1,806,956</u>	<u>\$ 906,323</u>	<u>\$ 489,526</u>	<u>\$ 2,848,144</u>	<u>\$ 7,155,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,155,426</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 262,461	\$ 1,184,468
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	175,612	194,963
Provision for Loan Loss Reserve	(174,999)	-
Amortization of Note Payable Commitment Fee	1,000	1,420
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	1,049,170	(580,904)
Loan Interest Receivable	53,564	(64,485)
Prepays	19,552	(33,579)
Accounts Payable and Accrued Expenses	310,079	(30,179)
Interest Payable	(14,747)	30,198
Deferred Revenue	(14,440)	565,515
Deferred Rent Credit	(31,571)	(31,570)
Cash Receipts on Behalf of Fiscally Sponsored Clients	1,869,695	3,221,877
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(2,259,982)	(3,274,632)
Net Cash Provided by Operating Activities	1,245,394	1,183,092
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable Principal Advanced	(6,817,408)	(13,152,454)
Loan Receivable Repayments	11,712,678	13,327,801
Loan Forgiveness - Equity Builder Program	212,500	215,833
Loan Receivable - Capitalized Interest	-	(1,539)
Purchase of Fixed Assets	-	(58,532)
Net Change in Certificates of Deposit	-	209,644
Net Cash Provided by Investing Activities	5,107,770	601,564
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Notes Payable	575,000	5,996,758
Principal Payments on Notes Payable	(1,467,445)	(5,141,701)
Note Payable Equipment Financing Principal Payments	(97,513)	(93,705)
Capital Lease Obligation Additions	-	18,436
Principal Payments on Capital Lease Obligation	(14,782)	(4,723)
Net Cash Provided (Used) by Financing Activities	(1,004,740)	775,065
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,348,424	2,559,721
Cash and Cash Equivalents - Beginning of Year	9,537,334	6,977,613
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 14,885,758	\$ 9,537,334
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non-Cash Equipment Additions	26,500	-
Cash Payments for Interest During the Year	\$ 519,715	\$ 510,651

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**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 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 separate public charity. In 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, 2021 AND 2020**

**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 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 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, 2021 and 2020.

**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, 2021 AND 2020**

**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 \$10,053 and \$5,850 as of March 31, 2021 and 2020, respectively. Management estimates this allowance of \$10,053 to be appropriate to the current quality of receivables.

**Loans Receivable**

The loans receivable portfolio consists of notes with interest rates ranging from 2.0% to 7.0% 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.

**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, 2021 AND 2020**

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

**Revenue Recognition (Continued)**

**Gifts and Grants (Continued)**

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Propel received advances on contracts of \$557,000 that have not been recognized as March 31, 2021 because qualifying expenditures have not yet been incurred and are shown as Deferred Revenue. Additionally, Propel received cost reimbursable contracts of \$136,934 that will be recognized as revenue in the future once eligible expenses have been incurred. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Propel will record such disallowance at the time the final assessment is made.

**Program Revenue** – Program revenue includes various service fees charged to individuals and independent organizations who partner with Propel on short-term projects related to its overall mission. Such revenue might include consulting, training, bookkeeping or management services performed by Propel. The fees for these services are agreed upon through contracts which are based on identified performance obligations at a set price or rate. Propel recognizes the revenue as the performance obligations are met under the contract 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, 2021 or 2020 respectively.

**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, 2021 AND 2020**

**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.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to agree with the current presentation. The reclassification had no effect on the change in total net assets as previously reported.

**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, 2021 and 2020, the total liability of funds managed for fiscally-sponsored clients was \$690,659 and \$1,080,943, respectively.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**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, 2021 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2022, Net of Allowance of \$385,460	\$ 5,215,515
2023 through 2026, Net of Allowance of \$909,105	16,066,791
Thereafter, Net of Allowance of \$124,766	2,205,013
Total	<u>\$ 23,487,319</u>

Propel has the following commitments as of March 31, 2021:

Available Nonrevolving Lines of Credit, with Maturities to FY2022	\$ 27,335
Available Lines of Credit, with Maturities through FY2022	2,655,477
Term Loans Originated but Not Fully Disbursed as of Year-End	216,320
Total Commitments	<u>\$ 2,899,132</u>

Loans receivable at March 31 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Working Capital/Business	\$ 3,920,253	\$ 8,091,352
Working Capital/Equity Builder	334,768	942,089
Community Facilities	19,268,513	18,767,015
Affordable Housing	1,383,116	2,213,965
Subtotal	24,906,650	30,014,421
Allowance for Loan Losses	(1,419,331)	(1,594,330)
Loans Receivable, Net	<u>\$ 23,487,319</u>	<u>\$ 28,420,091</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, 2021 AND 2020**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

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.

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, 2021</u>						
Working Capital/Business	\$ 3,920,253	\$ -	\$ -	\$ -	\$ 3,920,253	\$ -
Working Capital/Equity Builder	334,768	-	-	-	334,768	-
Community Facilities	19,268,513	-	-	-	19,268,513	-
Affordable Housing	1,383,116	-	-	-	1,383,116	-
Total	<u>\$ 24,906,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,906,650</u>	<u>\$ -</u>
<u>As of March 31, 2020</u>						
Working Capital/Business	\$ 7,971,233	\$ 20,000	\$ -	\$ 100,119	\$ 8,091,352	\$ -
Working Capital/Equity Builder	942,089	-	-	-	942,089	-
Community Facilities	18,767,015	-	-	-	18,767,015	-
Affordable Housing	2,213,965	-	-	-	2,213,965	-
Total	<u>\$ 29,894,302</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 100,119</u>	<u>\$ 30,014,421</u>	<u>\$ -</u>

Propel 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, 2021 AND 2020**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<i>As of March 31, 2021</i>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 3,313,910	\$ 606,343	\$ -	\$ -	\$ 3,920,253
Working Capital/Equity Builder	277,472	57,296	-	-	334,768
Community Facilities	18,503,805	764,708	-	-	19,268,513
Affordable Housing	1,383,116	-	-	-	1,383,116
Total	<u>\$ 23,478,303</u>	<u>\$ 1,428,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,906,650</u>
Current	\$ 23,478,303	\$ 1,428,347	\$ -	\$ -	\$ 24,906,650
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	-	-	-
Total	<u>\$ 23,478,303</u>	<u>\$ 1,428,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,906,650</u>
<i>As of March 31, 2020</i>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 7,311,727	\$ 779,625	\$ -	\$ -	\$ 8,091,352
Working Capital/Equity Builder	822,216	119,873	-	-	942,089
Community Facilities	18,767,015	-	-	-	18,767,015
Affordable Housing	2,213,965	-	-	-	2,213,965
Total	<u>\$ 29,114,923</u>	<u>\$ 899,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,014,421</u>
Current	\$ 29,094,923	\$ 799,379	\$ -	\$ -	\$ 29,894,302
Past Due 31-60 Days	20,000	-	-	-	20,000
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	100,119	-	-	100,119
Total	<u>\$ 29,114,923</u>	<u>\$ 899,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,014,421</u>

**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 Equity Builder	Community Facilities	Affordable Housing	Total
<i>March 31, 2021</i>					
<i>Allowance for Loan Losses</i>					
Beginning Balance	\$ 642,091	\$ 51,083	\$ 812,505	\$ 88,651	\$ 1,594,330
Charge Offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provisions	(358,044)	(25,810)	219,578	(10,723)	(174,999)
Ending Balance	<u>\$ 284,047</u>	<u>\$ 25,273</u>	<u>\$ 1,032,083</u>	<u>\$ 77,928</u>	<u>\$ 1,419,331</u>
<i>Allowance for Loan Losses</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 60,634	\$ 5,730	\$ 76,471	\$ -	\$ 142,835
Ending Balance: Collectively Evaluated for Impairment	223,413	19,543	955,612	77,928	1,276,496
Total	<u>\$ 284,047</u>	<u>\$ 25,273</u>	<u>\$ 1,032,083</u>	<u>\$ 77,928</u>	<u>\$ 1,419,331</u>
<i>Financing Receivables</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 606,343	\$ 57,296	\$ 764,708	\$ -	\$ 1,428,347
Ending Balance: Collectively Evaluated for Impairment	3,313,910	277,472	18,503,805	1,383,116	23,478,303
Total	<u>\$ 3,920,253</u>	<u>\$ 334,768</u>	<u>\$ 19,268,513</u>	<u>\$ 1,383,116</u>	<u>\$ 24,906,650</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<u>March 31, 2020</u>	Working Capital Business	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>					
Beginning Balance	\$ 463,295	\$ 112,321	\$ 907,294	\$ 111,420	\$ 1,594,330
Charge Offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provisions	178,796	(61,238)	(94,789)	(22,769)	-
Ending Balance	<u>\$ 642,091</u>	<u>\$ 51,083</u>	<u>\$ 812,505</u>	<u>\$ 88,651</u>	<u>\$ 1,594,330</u>
<i>Allowance for Loan Losses</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 325,089	\$ 11,987	\$ -	\$ -	\$ 337,076
Ending Balance: Collectively Evaluated for Impairment	317,002	39,095	812,505	88,652	1,257,254
Total	<u>\$ 642,091</u>	<u>\$ 51,082</u>	<u>\$ 812,505</u>	<u>\$ 88,652</u>	<u>\$ 1,594,330</u>
<i>Financing Receivables</i>					
Ending Balance: Individually Evaluated for Impairment	\$ 779,625	\$ 119,873	\$ -	\$ -	\$ 899,498
Ending Balance: Collectively Evaluated for Impairment	7,311,727	822,216	18,767,015	2,213,965	29,114,923
Total	<u>\$ 8,091,352</u>	<u>\$ 942,089</u>	<u>\$ 18,767,015</u>	<u>\$ 2,213,965</u>	<u>\$ 30,014,421</u>

**Loan Charge Offs and Recoveries:** During fiscal year 2021 and fiscal year 2020, 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. In FY2021, zero loans were modified, bringing the total modified balance to be \$800,634. In FY2020, five loans totaling \$622,124 were modified and the balance of modified loans as of March 31, 2020 was \$2,239,837. Of the modified loans as of March 31, 2021 and 2020, all were performing and were current with payments.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**NOTE 3 LOANS RECEIVABLE (CONTINUED)**

<u>Balances as of March 31, 2021</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 194,291	\$ 606,343	\$ -	\$ -	\$ 800,634
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	-	-	-	-	-
Affordable Housing	-	-	-	-	-
Total	<u>\$ 194,291</u>	<u>\$ 606,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,634</u>
<u>Balances as of March 31, 2021</u>					
Modified in FY2021	\$ -	\$ -	\$ -	\$ -	\$ -
Modified in FY2020	41,893	-	-	-	41,893
Modified in FY2019	8,461	606,343	-	-	614,804
Modified in Prior FYs	143,937	-	-	-	143,937
Total	<u>\$ 194,291</u>	<u>\$ 606,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,634</u>
<u>Balances as of March 31, 2020</u>	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 1,504,072	\$ -	\$ -	\$ -	\$ 1,504,072
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	735,765	-	-	-	735,765
Affordable Housing	-	-	-	-	-
Total	<u>\$ 2,239,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,239,837</u>
<u>Balances as of March 31, 2020</u>					
Modified in FY2020	\$ 622,124	\$ -	\$ -	\$ -	\$ 622,124
Modified in FY2019	690,672	-	-	-	690,672
Modified in FY2018	2,087	-	-	-	2,087
Modified in Prior FYs	924,954	-	-	-	924,954
Total	<u>\$ 2,239,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,239,837</u>

**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, 2021, are made up of the following:

Assets Without Donor Restrictions Available

Within 12 Months:

Cash and Cash Equivalents (Program and Operations)	\$ 1,059,237
Cash and Cash Equivalents (Loan Fund)	10,705,214
Accounts Receivable (Net of Allowance)	160,350
Loan Interest Receivable	53,798
Total	<u>\$ 11,978,599</u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

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

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)	\$ 1,059,237
Accounts Receivable (Net of Allowance)	160,350
Loan Interest Receivable (Available for Program and Operations)	53,798
Donor-Restricted Assets Estimated to be Released Within 90 Days	<u>1,144,755</u>
Total	<u><u>\$ 2,418,140</u></u>

Operating Reserve Requirement Per Policy:

Budgeted Operating Expenses FY2021	\$ 6,266,507
Less: Depreciation Expense	(175,612)
Less: Provision for Loan Loss Reserves	174,999
Less: Grants to Other Entities with a Corresponding Source of Revenue	<u>(1,770,900)</u>
Subtotal	<u>4,494,994</u>
Total Operating Reserve Requirement	<u><u>\$ 1,123,749</u></u>

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

	<u>Balance as of March 31, 2021</u>	<u>Estimated for Release</u>
Cash With Donor Restrictions (Program and Operations)	\$ 2,321,057	\$ 2,321,057
Grants Receivable With Donor Restrictions (Program and Operations)	328,334	328,334
Cash Accounts With Donor Restrictions (Loan Fund)	89,667	89,667
Cash recorded as Deferred Revenue (Loan Fund)	557,000	557,000
Certificates of Deposit With Donor Restrictions (Program and Operations)	<u>84,349</u>	<u>84,349</u>
Total	<u><u>\$ 3,380,407</u></u>	<u><u>\$ 3,380,407</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

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

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, 2021.

Lines of Credit Available:

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

The Finance Committee, Loan Committee, and board receive quarterly financial and loan portfolio reports that include information on liquidity and reserves. As part of its commitment to investors, Propel 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.

**NOTE 5 RELATED-PARTY TRANSACTIONS**

Propel has an ongoing operating partnership with The Minneapolis Foundation which has included representation by the Foundation on Propel’s board. Up until FY2021 Propel was structured as a subsidiary of The Minneapolis Foundation (see Note 1 – Organization for details regarding the change to this status). Propel pays for a share of certain business and liability insurance expenses covered by blanket policies held by The Minneapolis Foundation. Propel paid The Minneapolis Foundation a total of \$15,769 and \$15,459 in FY2021 and FY2020, respectively, for its proportionate share of business liability, workers’ compensation, and directors and officers insurances.

Propel 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 FY2021 resulted in an effective rate of 0.30%. There was no interest expense paid to The Minneapolis Foundation by Propel on line of credit for the year ended March 31, 2020. There were no outstanding borrowings on the line of credit as of March 31, 2021 and 2020.

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**NOTE 5 RELATED-PARTY TRANSACTIONS (CONTINUED)**

In addition, Propel 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 on PRIs was \$20,000 for the years ended March 31, 2021 and 2020.

**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, 2021 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2022	\$ 2,197,156
2023	4,372,274
2024	3,600,000
2025	4,599,472
2026	1,100,000
Thereafter	6,661,761
Total	<u><u>\$ 22,530,663</u></u>

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

Propel 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 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, 2021 and 2020 was \$28,330 and \$288,915, respectively.

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

Propel 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, 2021 and 2020. At March 31, 2021, 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	11/30/2022	2,000,000
Synchrony Financial	12/31/2022	2,000,000
Total Lines of Credit		<u><u>\$ 6,000,000</u></u>

**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**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 \$115,847 and \$102,785 for the years ended March 31, 2021 and 2020, respectively.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Restricted for Specific Purposes:		
Program and Operations	\$ 2,525,237	\$ 2,921,852
Loan Fund	89,667	89,667
Fiscal Sponsorship Fund	-	85,552
Restricted for Use Due to Time	<u>208,500</u>	<u>178,791</u>
Total	<u><u>\$ 2,823,404</u></u>	<u><u>\$ 3,275,862</u></u>

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

	<u>2021</u>	<u>2020</u>
Release for Satisfaction of Specific Purpose:		
Program and Operations	\$ 2,010,505	\$ 1,051,996
Loan Fund	-	810,333
Fiscal Sponsorship Fund	85,552	2,473,840
Released for Use Due to Time	<u>178,791</u>	<u>232,130</u>
Total	<u><u>\$ 2,274,848</u></u>	<u><u>\$ 4,568,299</u></u>

**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 10 ½ 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 for the years ended March 31, 2021 and 2020.

As of March 31, 2021, Propel had two office copiers under 60-month capital lease agreements which were recorded as fixed assets - copier one at \$12,745 and copier two at \$16,371. As of March 31, 2021, and 2020, accumulated depreciation on the two office copiers was \$18,742 and \$12,698, respectively.



**PROPEL NONPROFITS  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020**

**NOTE 10 LEASE OBLIGATION (CONTINUED)**

Propel purchased office computers under 36-month lease agreements which were recorded as fixed assets at \$53,328. As of March 31, 2021 and 2020, accumulated depreciation on these office computers was \$15,852 and \$6,909, respectively.

Future minimum lease payments under all leases as of March 31, 2021 are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Office Computers</u>	<u>Total</u>
2022	\$ 131,790	\$ 6,195	\$ 17,768	\$ 155,753
2023	135,012	3,662	9,862	148,536
2024	138,235	1,665	9,352	149,252
2025	141,458	-	-	141,458
2026	144,681	-	-	144,681
Thereafter	261,047	-	-	261,047
Future Minimum Payments	<u>952,223</u>	<u>11,522</u>	<u>36,982</u>	<u>1,000,727</u>
Present Value of Future Minimum Payments	<u>\$ 952,223</u>	<u>\$ 11,522</u>	<u>\$ 36,982</u>	<u>\$ 1,000,727</u>

**NOTE 11 TENANT IMPROVEMENT ALLOWANCE**

Included in the terms of the new lease for office space described above, Propel received a tenant improvement allowance of \$331,488 which reimbursed a portion of the total leasehold improvements paid for by Propel. 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 FY21 and FY20, the amount of amortized rent credit was \$31,570.

**NOTE 12 LOAN FORGIVENESS**

On May 4, 2020, Propel Nonprofits received a loan totaling \$488,100 to fund payroll, rental and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). On January 28, 2021, the SBA processed Propel Nonprofits' PPP Loan forgiveness application and Propel Nonprofits was notified that the PPP Loan qualified for full forgiveness. The loan forgiveness has been recorded as Gifts and Grants on the statements of activities.

**PROPEL NONPROFITS  
SCHEDULE OF FINANCIAL POSITION BY FUND  
MARCH 31, 2021**

	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	\$ 1,059,237	\$ 10,705,214	\$ 710,584	\$ 12,475,035	\$ 2,321,056	\$ 89,667	\$ -	\$ 2,410,723	\$ 14,885,758
Accounts Receivable and Grant Receivables, Net of Allowance of \$10,053	160,350	-	-	160,350	328,332	-	-	328,332	488,682
Loans Receivable, Net of Allowance of \$385,460	-	5,215,515	-	5,215,515	-	-	-	-	5,215,515
Loan Interest Receivable	53,798	-	-	53,798	-	-	-	-	53,798
Prepays and Other	103,260	-	-	103,260	-	-	-	-	103,260
Total Current Assets	<u>1,376,645</u>	<u>15,920,729</u>	<u>710,584</u>	<u>18,007,958</u>	<u>2,649,388</u>	<u>89,667</u>	<u>-</u>	<u>2,739,055</u>	<u>20,747,013</u>
<b>NONCURRENT ASSETS</b>									
Loans Receivable, Net of Allowance of \$1,033,871	-	18,271,804	-	18,271,804	-	-	-	-	18,271,804
Other Real Estate Owned, Net	-	-	-	-	-	-	-	-	-
Certificates of Deposit	100,000	-	-	100,000	84,349	-	-	84,349	184,349
Fixed Assets, Net of Depreciation	667,910	-	-	667,910	-	-	-	-	667,910
Total Noncurrent Assets	<u>767,910</u>	<u>18,271,804</u>	<u>-</u>	<u>19,039,714</u>	<u>84,349</u>	<u>-</u>	<u>-</u>	<u>84,349</u>	<u>19,124,063</u>
Total Assets	<u>\$ 2,144,555</u>	<u>\$ 34,192,533</u>	<u>\$ 710,584</u>	<u>\$ 37,047,672</u>	<u>\$ 2,733,737</u>	<u>\$ 89,667</u>	<u>\$ -</u>	<u>\$ 2,823,404</u>	<u>\$ 39,871,076</u>

**PROPEL NONPROFITS**  
**SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)**  
**MARCH 31, 2021**

	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>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Current Portion of Notes Payable	\$ 101,476	\$ 2,095,680	\$ -	\$ 2,197,156	\$ -	\$ -	\$ -	\$ -	\$ 2,197,156
Accounts Payable and Accrued Expenses	553,650	19,138	19,925	592,713	-	-	-	-	592,713
Capital Lease Obligation	23,963	-	-	23,963	-	-	-	-	23,963
Accrued Interest Payable	88,643	-	-	88,643	-	-	-	-	88,643
Deferred Revenue	4,750	557,000	-	561,750	-	-	-	-	561,750
Deferred Rent Credit	31,570	-	-	31,570	-	-	-	-	31,570
Fund Managed for Fiscally-Sponsored Clients	-	-	690,659	690,659	-	-	-	-	690,659
Total Current Liabilities	804,052	2,671,818	710,584	4,186,454	-	-	-	-	4,186,454
<b>LONG-TERM LIABILITIES</b>									
Notes Payable	52,274	20,281,233	-	20,333,507	-	-	-	-	20,333,507
Capital Lease Obligation	24,545	-	-	24,545	-	-	-	-	24,545
Deferred Rent Credit	181,529	-	-	181,529	-	-	-	-	181,529
Total Long-Term Liabilities	258,348	20,281,233	-	20,539,581	-	-	-	-	20,539,581
Total Liabilities	1,062,400	22,953,051	710,584	24,726,035	-	-	-	-	24,726,035
<b>NET ASSETS</b>									
Without Donor Restrictions:									
Undesignated	1,082,155	11,239,482	-	12,321,637	-	-	-	-	12,321,637
With Donor Restrictions:									
Total Net Assets	1,082,155	11,239,482	-	12,321,637	2,733,737	89,667	-	2,823,404	15,145,041
Total Liabilities and Net Assets	\$ 2,144,555	\$ 34,192,533	\$ 710,584	\$ 37,047,672	\$ 2,733,737	\$ 89,667	\$ -	\$ 2,823,404	\$ 39,871,076

**PROPEL NONPROFITS  
SCHEDULE OF ACTIVITIES BY FUND  
YEAR ENDED MARCH 31, 2021**

	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	\$ 1,304,748	\$ 565,002	\$ 1,946,360	\$ 3,816,110	\$ 1,822,390	\$ -	\$ -	\$ 1,822,390	\$ 5,638,500
Loan Interest Income	1,547,140	-	-	1,547,140	-	-	-	-	1,547,140
Loan Fee Revenue	60,026	-	-	60,026	-	-	-	-	60,026
Program Revenue	459,811	-	-	459,811	-	-	-	-	459,811
Investment Income	15,487	-	-	15,487	-	-	-	-	15,487
Other Income	-	15,810	-	15,810	-	-	-	-	15,810
Net Assets Released from Restrictions	2,189,296	-	85,552	2,274,848	(2,189,297)	-	(85,551)	(2,274,848)	-
<b>Total Revenues</b>	<b>5,576,508</b>	<b>580,812</b>	<b>2,031,912</b>	<b>8,189,232</b>	<b>(366,907)</b>	<b>-</b>	<b>(85,551)</b>	<b>(452,458)</b>	<b>7,736,774</b>
<b>EXPENSES</b>									
Program Services:									
Training, Guidance, and Knowledge Sharing	1,384,355	-	-	1,384,355	-	-	-	-	1,384,355
Lending	1,399,996	-	-	1,399,996	-	-	-	-	1,399,996
Strategic Services	601,660	-	-	601,660	-	-	-	-	601,660
Accounting and Finance Services	209,244	-	-	209,244	-	-	-	-	209,244
Fiscal Sponsorship and Incorporation Services	682,059	-	2,031,912	2,713,971	-	-	-	-	2,713,971
Total Program Services	4,277,314	-	2,031,912	6,309,226	-	-	-	-	6,309,226
Core Mission Support: Management and General	966,383	-	-	966,383	-	-	-	-	966,383
Core Mission Support: Fundraising	198,704	-	-	198,704	-	-	-	-	198,704
<b>Total Expenses</b>	<b>5,442,401</b>	<b>-</b>	<b>2,031,912</b>	<b>7,474,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,474,313</b>
<b>CHANGE IN NET ASSETS</b>	<b>134,107</b>	<b>580,812</b>	<b>-</b>	<b>714,919</b>	<b>(366,907)</b>	<b>-</b>	<b>(85,551)</b>	<b>(452,458)</b>	<b>262,461</b>
Net Assets - Beginning of Year	948,048	10,658,670	-	11,606,718	3,100,644	89,667	85,551	3,275,862	14,882,580
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,082,155</b>	<b>\$ 11,239,482</b>	<b>\$ -</b>	<b>\$ 12,321,637</b>	<b>\$ 2,733,737</b>	<b>\$ 89,667</b>	<b>\$ -</b>	<b>\$ 2,823,404</b>	<b>\$ 15,145,041</b>

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