

Metropolitan Alliance of Connected Communities
Minneapolis, Minnesota

**Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2017 and 2016**



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
Metropolitan Alliance of Connected Communities
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Metropolitan Alliance of Connected Communities, which are comprised of the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expense, 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Alliance of Connected Communities as of December 31, 2017 and 2016, 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.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
June 7, 2018

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017				2016	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Wages	\$ 2,603,240	\$ 442,037	\$ 2,216	\$ 444,253	\$ 3,047,493	\$ 2,873,214
Employee Benefits	409,043	64,085	370	64,455	473,498	435,598
Payroll Taxes	191,727	30,371	158	30,529	222,256	213,810
Temporary Agency	25,764	3,182	-	3,182	28,946	109,432
Subtotal Personnel	<u>3,229,774</u>	<u>539,675</u>	<u>2,744</u>	<u>542,419</u>	<u>3,772,193</u>	<u>3,632,054</u>
Professional Fees	2,089,203	100,100	-	100,100	2,189,303	2,381,593
Office and Technology	361,783	54,432	3	54,435	416,218	477,717
Occupancy	76,180	55,232	-	55,232	131,412	146,513
Other Expense	15,619	47,849	-	47,849	63,468	77,586
Staff and Volunteer Training	22,131	9,350	-	9,350	31,481	48,939
Transportation	11,999	73	-	73	12,072	11,276
Telecommunication	-	1,223	-	1,223	1,223	9,542
Depreciation	13,001	34,065	-	34,065	47,066	59,089
Total Expense	<u>\$ 5,819,690</u>	<u>\$ 841,999</u>	<u>\$ 2,747</u>	<u>\$ 844,746</u>	<u>\$ 6,664,436</u>	<u>\$ 6,844,309</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT C

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Wages	\$ 2,564,909	\$ 262,243	\$ 46,062	\$ 308,305	\$ 2,873,214
Employee Benefits	388,857	39,758	6,983	46,741	435,598
Payroll Taxes	190,867	19,515	3,428	22,943	213,810
Temporary Agency	97,690	9,988	1,754	11,742	109,432
Subtotal Personnel	3,242,323	331,504	58,227	389,731	3,632,054
Professional Fees	2,362,011	18,375	1,207	19,582	2,381,593
Office and Technology	464,906	11,084	1,727	12,811	477,717
Occupancy	134,104	10,529	1,880	12,409	146,513
Other Expense	34,769	42,413	404	42,817	77,586
Staff and Volunteer Training	42,479	5,917	543	6,460	48,939
Transportation	10,832	377	67	444	11,276
Telecommunication	8,632	772	138	910	9,542
Depreciation	58,774	268	47	315	59,089
Total Expense	\$ 6,358,830	\$ 421,239	\$ 64,240	\$ 485,479	\$ 6,844,309

The accompanying Notes to Consolidated Financial Statements
are an integral part of this statement.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and Cash Equivalents	\$ 302,839	\$ 273,219
Accounts Receivable	1,042,060	1,060,365
Grants Receivable	-	250,000
Prepaid Expense	80,730	90,796
Total Current Assets	1,425,629	1,674,380
Long-term Assets:		
Property and Equipment - Net	130,725	175,717
Net Long-term Assets	130,725	175,717
TOTAL ASSETS	\$ 1,556,354	\$ 1,850,097
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 436,899	\$ 244,921
Accrued Expense	284,929	322,541
Funds Held for Others	25,202	62,118
Notes Payable - Current	110,000	10,000
Deferred Revenue	2,583	3,983
Total Current Liabilities	859,613	643,563
Notes Payable - Long-term	30,656	39,511
Notes Payable to Founders	107,821	255,574
Total Liabilities	998,090	938,648
Net Assets:		
Unrestricted	404,931	578,449
Temporarily Restricted	153,333	333,000
Total Net Assets	558,264	911,449
TOTAL LIABILITIES AND NET ASSETS	\$ 1,556,354	\$ 1,850,097

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (353,185)	\$ 269,247
Total Adjustments	<u>441,487</u>	<u>(345,017)</u>
Net Cash Provided (Used) by Operating Activities	88,302	(75,770)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	<u>(2,074)</u>	<u>(94,533)</u>
Net Cash (Used) by Investing Activities	(2,074)	(94,533)
Cash Flows from Financing Activities:		
Proceeds from Notes Payable	100,000	-
Principal Payments of Notes Payable	<u>(156,608)</u>	<u>(9,303)</u>
Net Cash (Used) by Financing Activities	<u>(56,608)</u>	<u>(9,303)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	29,620	(179,606)
Cash - Beginning of Year	<u>273,219</u>	<u>452,825</u>
Cash - End of Year	<u>\$ 302,839</u>	<u>\$ 273,219</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ 2,137</u>	<u>\$ 2,622</u>

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Metropolitan Alliance of Connected Communities (the Alliance) include the accounts of MACC Service Network, LLC. (MSN). Significant inter-company transactions have been eliminated. The Board of Directors of the Alliance controls the appointment of the MSN Board of Governors. MSN became the single member of the Alliance on February 22, 2012.

Organizational Purpose

The Alliance launched in 1999, is a partnership of community-based social service organizations, primarily neighborhood and community centers, with the primary goal of advocating collectively for changes in both policy and practice in order to affect long-term, systemic change in the lives of low-income individuals, families and communities in the Minneapolis/St. Paul Metropolitan area.

MSN was launched by the Alliance in 2012 to provide operating flexibility for fund raising and program operation of and between Alliance members.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Alliance and MSN, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of Alliance and MSN resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Alliance and MSN considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

The Alliance and MSN extends credit to their customers on terms established for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and overdue balances may be charged interest at 1% per month. Alliance and MSN review accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Allowance for doubtful accounts was stated at \$0 for both years ended December 31, 2017 and 2016.

Equipment

All major expenditures for equipment in excess of \$5,000 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method, over the following estimated useful lives:

Computer Equipment	2-5 years
Furniture and Equipment	3-10 years

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions, except when receipt and satisfaction occur in the same period, in which case the contribution is shown as unrestricted.

Contributions of long-lived assets are recorded as temporarily restricted when received and the restriction is satisfied as they are depreciated.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Deferred Revenue

Deferred revenue is recorded when program revenue is received but not yet earned. The program revenue is recognized as a liability until the year that they become earned begins.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

Income Tax

The Alliance has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. MSN is a disregarded tax entity of the Alliance. The Alliance and MSN have adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The policy of the Alliance is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Alliance continues to operate consistent with their original exemption applications and each year takes the necessary actions to maintain their exempt status. The Alliance has been classified as organizations that are not private foundations under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Alliance annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2014 and later remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

Subsequent Events

The Alliance and MSN have evaluated the effect that subsequent events would have on the financial statements through June 7, 2018, which is the date financial statements were available to be issued.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. Significant Concentrations of Credit Risk

The Alliance and MSN provide services within the Twin Cities area. Contributions, service fees and accounts receivable are from local institutions and members.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2017 and 2016, the Alliance had funds on deposit in a local financial institution in excess of federally insured limits.

3. Equipment

The Alliance's equipment was comprised of the following as of:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Computer Equipment	\$ 397,457	\$ 395,383
Leasehold Improvements	100,618	100,618
Furniture & Equipment	24,892	24,892
	522,967	520,893
Less Accumulated Depreciation	392,242	345,176
	\$ 130,725	\$ 175,717

Depreciation and amortization expense of \$47,066 and \$59,089 was recorded for the years ended December 31, 2017 and 2016, respectively.

4. Notes Payable

The breakdown of interest bearing notes payable is as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Note payable to Wells Fargo, payable in monthly principal installments of \$833, excluding interest at 3.85%. The final payment is scheduled for July 1, 2021 when the all unpaid principal and interest is due. The note is secured by all receivables, savings, inventory, property, and equipment.	\$ 40,656	\$ 49,511
Line-of-credit balance payable to Wells Fargo Bank at 5.00%. The \$250,000 credit agreement expires on July 25, 2018. The note is secured by all receivables, savings, inventory, property, and equipment.	100,000	-
Less Portion Due within One (1) Year	110,000	10,000
Long-term Portion	\$ 30,656	\$ 39,511

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. **Notes Payable (continued)**

Principal payments required at December 31, 2017 are as follows:

<u>Due in the Year Ending December 31,</u>	
2018	\$ 110,000
2019	10,000
2020	10,000
2021	10,000
2022	<u>656</u>
Total	<u>\$ 140,656</u>

Non-interest bearing notes payable to founders are as follows as of:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
The Family Partnership	\$ 84,405	\$ 84,405
Plymouth Christian Youth Center	17,225	17,225
Phyllis Wheatley Community Center	6,191	6,191
Pillsbury United Communities	<u>-</u>	<u>147,753</u>
	<u>\$ 107,821</u>	<u>\$ 255,574</u>

The member notes are payable upon dissolution of the Alliance unless prepaid.

5. **In-kind Contributions**

The Alliance and MSN record in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest	<u>\$ 5,391</u>	<u>\$ 12,816</u>

6. **Leased Facilities**

The Alliance leases office space from The Family Partnership on a month-to-month basis. Rent expense was \$99,902 and \$124,251 for the years ending December 31, 2017 and 2016, respectively.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. Pension Plan

The Alliance initiated a 403(b) retirement plan January 1, 2009. The plan is funded by discretionary employer profit sharing and matching contributions, and employee contributions. Employer contributions of \$152,835 and \$141,355 were made in the years ended December 31, 2017 and 2016, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	December 31,	
	2017	2016
Social Enterprise Development Network	\$ 153,333	\$ 333,000

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	December 31,	
	2017	2016
Depreciation	\$ 47,066	\$ 59,089
Increases (Decreases) in Current Liabilities:		
Accounts Payable	191,978	2,559
Accrued Expense	(37,612)	(8,920)
Deferred Revenue	(1,400)	(10,589)
Funds Held for Others	(36,916)	62,118
Decreases (Increases) in Current Assets:		
Accounts Receivable	18,305	(241,941)
Grants Receivable	250,000	(250,000)
Prepaid Expense	10,066	42,667
Total Adjustments	\$ 441,487	\$ (345,017)

ADDITIONAL INFORMATION



Carpenter, Evert & Associates

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Statement of Auditor's Responsibility

Board of Directors
Metropolitan Alliance of Connected Communities
Minneapolis, Minnesota

We have audited the consolidated financial statements of Metropolitan Alliance of Connected Communities as of and for the years ended December 31, 2017 and 2016, and our report thereon dated June 7, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of assets and liabilities as of December 31, 2017, and the consolidating schedule of revenue and expense for the year ended December 31, 2017, are presented for purposes of additional analysis and are not a required part of the 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 as a whole.

Carpenter Evert and Associates, LTD.

Certified Public Accountants

Minneapolis, Minnesota
June 7, 2018

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATING SCHEDULE OF REVENUE AND EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017

	MACC Alliance of Connected Communities	MACC Services Network, LLC	2017 Total
Support and Revenue:			
Contributions	\$ 31,121	\$ -	\$ 31,121
Government Grants and Contracts	27,260	1,398,737	1,425,997
Service Fees	4,620,037	-	4,620,037
Membership Dues	142,292	-	142,292
Interest and Other Income	81,243	10,561	91,804
Total Support and Revenue	4,901,953	1,409,298	6,311,251
Expense:			
Wages	2,934,622	85,225	3,019,847
Employee Benefits	460,465	13,033	473,498
Payroll Taxes	216,050	6,206	222,256
Temporary Agency	28,946	-	28,946
Total Personnel Expense	3,640,083	104,464	3,744,547
Professional Fees	720,997	1,468,306	2,189,303
Office and Technology	415,740	478	416,218
Occupancy	128,449	2,963	131,412
Other Expense	57,311	6,157	63,468
Staff and Volunteer Training	29,935	1,546	31,481
Transportation	10,836	1,236	12,072
Telecommunication	1,223	-	1,223
Allocations	(22,856)	22,856	-
Depreciation	47,066	-	47,066
Total Expense	5,028,784	1,608,006	6,636,790
Change in Net Assets	(126,831)	(198,708)	(325,539)
Net Assets - Beginning of Year	654,421	257,028	911,449
Net Assets - End of Year	\$ 527,590	\$ 58,320	\$ 585,910

See Statement of Auditor's Responsibility.

METROPOLITAN ALLIANCE OF CONNECTED COMMUNITIES
CONSOLIDATING SCHEDULE OF ASSETS AND LIABILITIES
DECEMBER 31, 2017

<u>ASSETS</u>	<u>MACC Alliance of Connected Communities</u>	<u>MACC Services Network, LLC</u>	<u>Eliminations</u>	<u>2017 Total</u>
Current Assets:				
Cash and Cash Equivalents	\$ 273,463	\$ 29,376	\$ -	\$ 302,839
Accounts Receivable	603,090	438,970	-	1,042,060
Due From Affiliate Organization	408,261	-	(408,261)	-
Prepaid Expense	80,730	-	-	80,730
Total Current Assets	<u>1,365,544</u>	<u>468,346</u>	<u>(408,261)</u>	<u>1,425,629</u>
Property and Equipment - Net	<u>130,725</u>	<u>-</u>	<u>-</u>	<u>130,725</u>
TOTAL ASSETS	<u>\$ 1,496,269</u>	<u>\$ 468,346</u>	<u>\$ (408,261)</u>	<u>\$ 1,556,354</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 436,899	\$ -	\$ -	\$ 436,899
Accrued Expense	255,518	1,765	-	257,283
Funds Held for Others	25,202	-	-	25,202
Due to Affiliate Organization	-	408,261	(408,261)	-
Notes Payable - Current	110,000	-	-	110,000
Deferred Revenue	2,583	-	-	2,583
Total Current Liabilities	<u>830,202</u>	<u>410,026</u>	<u>(408,261)</u>	<u>831,967</u>
Notes Payable - Long-term	30,656	-	-	30,656
Notes Payable to Founders	107,821	-	-	107,821
Total Liabilities	<u>968,679</u>	<u>410,026</u>	<u>(408,261)</u>	<u>970,444</u>
Net Assets:				
Unrestricted	507,590	(75,013)	-	432,577
Temporarily Restricted	20,000	133,333	-	153,333
Total Net Assets	<u>527,590</u>	<u>58,320</u>	<u>-</u>	<u>585,910</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,496,269</u>	<u>\$ 468,346</u>	<u>\$ (408,261)</u>	<u>\$ 1,556,354</u>

See Statement of Auditor's Responsibility.