

MicroGrants

Financial Statements
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MicroGrants
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of MicroGrants, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

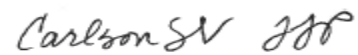
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Organization as of MicroGrants, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of MicroGrants as of December 31, 2019, were audited by other auditors whose report dated April 20, 2020 expressed an unmodified opinion on those statements.



Amery, Wisconsin
August 27, 2021

MicroGrants
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,659,722	\$ 704,146
Pledges receivable	-	10,000
Prepaid expenses	1,828	1,241
Total Current Assets	1,661,550	715,387
Property and equipment		
Equipment	8,501	8,501
Less accumulated depreciation	(8,501)	(7,152)
Net property and equipment	-	1,349
Total assets	\$ 1,661,550	\$ 716,736
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 14,177	\$ 2,241
Accrued expenses	4,013	11,026
Payroll Liabilities	34,448	22,500
Total liabilities	52,638	35,767
Net Assets		
Without donor restrictions	1,141,226	488,330
With donor restrictions	467,686	192,639
Total net assets	1,608,912	680,969
Total liabilities and net assets	\$ 1,661,550	\$ 716,736

MicroGrants
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Foundation grants	\$ 888,100	\$ 1,210,000	\$ 2,098,100
Individual contributions	743,253	-	743,253
Corporate contributions	43,330	-	43,330
Investment income	2,357	-	2,357
In-Kind revenue			-
Net assets released from restrictions	934,953	(934,953)	-
Total operating revenues	<u>2,611,993</u>	<u>275,047</u>	<u>2,887,040</u>
EXPENSES			
Program services	1,685,046	-	1,685,046
Management and general	77,270	-	77,270
Fundraising	196,781	-	196,781
Total operating expenses	<u>1,959,097</u>	<u>-</u>	<u>1,959,097</u>
Change in Net Assets from Operating Activities	652,896	275,047	927,943
Net Assets, Beginning of Year	<u>488,330</u>	<u>192,639</u>	<u>680,969</u>
Net Assets, End of Year	<u>\$ 1,141,226</u>	<u>\$ 467,686</u>	<u>\$ 1,608,912</u>
	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Foundation grants	\$ 767,728	\$ 286,156	\$ 1,053,884
Individual contributions	295,427	-	295,427
Corporate contributions	25,574	-	25,574
Investment income	1,344	-	1,344
In-Kind revenue	38,375	-	38,375
Net assets released from restrictions	299,960	(299,960)	-
Total operating revenues	<u>1,428,408</u>	<u>(13,804)</u>	<u>1,414,604</u>
EXPENSES			
Program services	1,181,500	-	1,181,500
Management and general	123,237	-	123,237
Fundraising	150,723	-	150,723
Total operating expenses	<u>1,455,460</u>	<u>-</u>	<u>1,455,460</u>
Change in Net Assets from Operating Activities	(27,052)	(13,804)	(40,856)
Net Assets, Beginning of Year	<u>515,382</u>	<u>206,443</u>	<u>721,825</u>
Net Assets, End of Year	<u>\$ 488,330</u>	<u>\$ 192,639</u>	<u>\$ 680,969</u>

MicroGrants
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in net assets	\$ 927,943	\$ (40,856)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,349	805
Net changes in assets and liabilities		
Pledges receivable	10,000	10,000
Prepaid expenses	(587)	98
Accounts payable	11,936	1,898
Accrued expenses	(7,013)	3,341
Payroll liabilities	11,948	22,500
Net Cash provided (used) for Operating Activities	955,576	(2,214)
Net Change in Cash and Cash Equivalents	955,576	(2,214)
Cash and Cash Equivalents, Beginning of Year	704,146	706,360
Cash and Cash Equivalents, End of Year	\$ 1,659,722	\$ 704,146

MicroGrants
Statements of Functional Expenses
Year Ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Grants awarded	\$ 993,513	\$ -	\$ -	\$ 993,513
Program expenses	126,623	-	-	126,623
Professional fees	17,218	47,990	7,638	72,846
Payroll	245,592	5,277	136,537	387,406
Development	11,594	470	5,075	17,139
Depreciation	-	1,349	-	1,349
Contract services	242,245	3,487	39,320	285,052
Travel/meetings	3,557	15	1,832	5,404
Office Expense	38,313	9,731	4,964	53,008
Occupancy	3,191	8,894	1,415	13,500
Event Costs	800	-	-	800
Miscellaneous	2,400	57	-	2,457
 Total expenses	 \$ 1,685,046	 \$ 77,270	 \$ 196,781	 \$ 1,959,097

	2019			
	Program Services	Management and General	Fundraising	Total
Grants awarded	\$ 939,690	\$ -	\$ -	\$ 939,690
Program expenses	124,476	-	-	124,476
Development	-	-	21,835	21,835
Depreciation	-	805	-	805
Contract services	-	5,482	37,295	42,777
Travel/meetings	-	-	13,832	13,832
Office Expense	-	43,864	1,062	44,926
Professional fees	-	30,563	-	30,563
Payroll	116,621	42,523	66,478	225,622
Event Costs	-	-	10,221	10,221
Donations to non-profits	713	-	-	713
 Total expenses	 \$ 1,181,500	 \$ 123,237	 \$ 150,723	 \$ 1,455,460

Note 1 - Summary of Significant Accounting Policies

Organization

MicroGrants (the Organization) is a 501(c)(3) nonprofit organization providing grants to individuals through community partnerships. MicroGrants operates two grant-making programs.

Granting to People of Potential: MicroGrants provides grants to low-income individuals for transportation, education, and small business. Recipients are identified through 50 partner agencies in the Twin Cities. The goal of this program is to spur economic self-sufficiency.

LightsOn!: MicroGrants' LightsOn! Program is a partnership with law enforcement and auto service providers that distributes vouchers for free minor car repairs. MicroGrants funds the repair as a grant to the voucher recipient. The goal of this program is to improve police-community relationships and assist low-income drivers with a necessary auto repair that might otherwise be outside their ability to pay.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by the donors.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At times, cash at financial institutions may be in excess of FDIC insurance limit.

Note 1 - Summary of Significant Accounting Policies - continued

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, and include assets capitalized over \$1,000. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging from three to five years.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Organization does not have any conditional or unconditional promises as of December 31, 2020 and 2019.

Note 1 - Summary of Significant Accounting Policies - continued

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received on the date of contribution.

Marketing and Public Relations Costs

Marketing and public relations costs are expensed when incurred. Marketing and public relations costs for the years ended December 31, 2020 and 2019, were \$9,624 and \$13,408, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to their exempt purpose.

The Organization believes that it has appropriate support for tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Note 1 - Summary of Significant Accounting Policies - continued

Risks and Uncertainties

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point the extent to which COVID-19 may impact the Organization’s financial condition or results of operation is uncertain.

In addition, the George Floyd death in Minneapolis in May 2020 sparked a movement across the country to defund and/or reform police. Because one of the programs (LightsOn!) depends on partnerships with police departments, there is uncertainty as to what impact this will have on future partnerships.

Subsequent Event Consideration

Management has evaluated subsequent events through August 27, 2021, the date on which the financial statements were available to be issued. Except as discussed in Note 6, management has determined that there were no material events that would require recognition or disclosure in the Organization’s financial statements through this date.

Note 2 - Liquidity and Availability

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, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,659,722	\$ 704,146
Pledges receivable	-	10,000
	1,659,722	714,146
Donor-imposed restrictions	(467,686)	(192,639)
Total financial assets available for general expenditure within one year	\$ 1,192,036	\$ 521,507

Some of these financial assets are subject to donor restrictions that make them unavailable for unrestricted general expenditures but rather donor restricted expenditures. As a part of its liquidity management plan, the Organization invests cash in excess of daily requirements in savings accounts.

Note 3 - PPP Refundable Advance Forgiveness

The Organization was granted a \$41,100 refundable advance under the Payroll Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization met requirements for full forgiveness and has recognized \$41,100 as contribution revenue for the year ended December 31, 2020. Application for forgiveness was granted in March 2021.

Note 4 - Net Assets

Net Assets with donor restrictions were restricted to the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Grant Programs		
Education	\$ -	\$ 10,000
Transportation	-	25,000
Small Business	-	24,000
Florida	-	32,010
Other	-	675
	<u>-</u>	<u>91,685</u>
LightsOn!		
Automation	382,980	-
Vouchers	78,553	100,954
Wichita, Kansas	6,153	-
	<u>467,686</u>	<u>100,954</u>
	<u>467,686</u>	<u>192,639</u>

Net assets released from donor restrictions during the years ended December 31, 2020 and 2019 were as follows:

	<u>2,020</u>	<u>2,019</u>
Grant Programs		
Education	141,219	5,000
Transportation	237,144	44,724
Small Business	45,000	15,968
Florida	57,250	65,746
Other	6,850	1,300
	<u>487,463</u>	<u>132,738</u>
LightsOn!		
Human Resources	208,780	-
PR/Marketing	80,000	-
Automation	28,240	-
Vouchers	126,623	167,222
Wichita, Kansas	3,847	-
	<u>447,490</u>	<u>167,222</u>
	<u>934,953</u>	<u>299,960</u>

NOTE 5 – Leases

The Organization rents office space under an operating lease. During the years ended December 31, 2020 and 2019, rental expenses for the lease amounted to \$13,000 and \$0, respectively. There are no future minimum non-cancelable lease payments at December 31, 2020.

Note 6 - Subsequent Events

In April 2021, the Organization discovered unauthorized payments of \$428,000 were paid to a vendor in 2021. A forensic investigation determined that a vendor may have personally benefited from improper grant payments. At this time it is not determinable if any amounts will be recovered.