GREAT MN SCHOOLS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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GREAT MN SCHOOLS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Great MN Schools
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Great MN Schools, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great MN Schools as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Great MN Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Great MN Schools' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Great MN Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Great MN Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 18, 2023

GREAT MN SCHOOLS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 392,321	$ 394,288
Prepaid Expenses	22,170	15,770
Total Current Assets	414,491	410,058
RIGHT-OF-USE ASSET	20,377	-
PROPERTY AND EQUIPMENT		
Website and Equipment	3,005	6,029
Accumulated Amortization and Depreciation	(2,588)	(4,190)
Property and Equipment, Net	417	1,839
Total Assets	$ 435,285	$ 411,897
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 94,082	$ 154,435
Accrued Liabilities	1,500	11,470
Fiscal Agent Liability	-	89,833
Lease Liability	21,051	-
School Grants Payable	260,000	534,000
Total Current Liabilities	376,633	789,738
NET ASSETS		
Without Donor Restriction	58,652	(377,841)
Total Liabilities and Net Assets	$ 435,285	$ 411,897

See accompanying Notes to Financial Statements.

GREAT MN SCHOOLS
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE						
Contributions	$ 5,052,588	$ 100,000	$ 5,152,588	$ 3,559,198	$ 60,000	$ 3,619,198
Other Income	38	-	38	62	-	62
Net Assets Released from Restriction	100,000	(100,000)	-	60,000	(60,000)	-
Total Support and Revenue	5,152,626	-	5,152,626	3,619,260	-	3,619,260
EXPENSES						
Program Services	4,009,828	-	4,009,828	4,200,955	-	4,200,955
Management and General	347,765	-	347,765	254,825	-	254,825
Fundraising	358,540	-	358,540	315,233	-	315,233
Total Expenses	4,716,133	-	4,716,133	4,771,013	-	4,771,013
CHANGE IN NET ASSETS	436,493	-	436,493	(1,151,753)	-	(1,151,753)
Net Assets - Beginning of Year	(377,841)	-	(377,841)	773,912	-	773,912
NET ASSETS - END OF YEAR	$ 58,652	$ -	$ 58,652	$ (377,841)	$ -	$ (377,841)

See accompanying Notes to Financial Statements.

GREAT MN SCHOOLS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	2023 Total
Personnel Expenses	$ 1,148,339	$ 161,738	$ 307,302	$ 1,617,379
Professional and Contracted Services	74,507	133,510	9,994	218,011
Advertising and Promotion	254,449	-	-	254,449
Communications Support	71,359	30,582	-	101,941
Information Technology	6,725	6,725	-	13,450
Occupancy	38,148	5,373	10,209	53,730
Travel	11,650	1,641	3,118	16,409
Equipment	8,370	1,179	2,240	11,789
Subscriptions	13,566	1,911	3,630	19,107
Insurance	2,570	362	688	3,620
Amortization and Depreciation	-	1,422	-	1,422
School Support Expenses	1,782,270	-	-	1,782,270
School and Community Grants	586,170	-	-	586,170
Stewardship	-	-	18,748	18,748
Miscellaneous	11,705	3,322	2,611	17,638
Total Expenses	$ 4,009,828	$ 347,765	$ 358,540	$ 4,716,133

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	2022 Total
Personnel Expenses	$ 1,118,095	$ 120,875	$ 271,969	$ 1,510,939
Professional and Contracted Services	-	68,126	4,093	72,219
Advertising and Promotion	262,449	-	-	262,449
Communications Support	17,440	40,694	-	58,134
Information Technology	2,541	635	-	3,176
Occupancy	27,405	2,963	6,666	37,034
Travel	6,089	6,089	-	12,178
Conferences and Meetings	20,026	-	-	20,026
Equipment	-	3,532	-	3,532
Subscriptions	16,289	1,761	3,962	22,012
Insurance	-	2,887	-	2,887
Amortization and Depreciation	-	2,265	-	2,265
School Support Expenses	1,463,570	-	-	1,463,570
School and Community Grants	1,260,954	-	-	1,260,954
Stewardship		-	27,371	27,371
Miscellaneous	6,097	4,998	1,172	12,267
Total Expenses	$ 4,200,955	$ 254,825	$ 315,233	$ 4,771,013

See accompanying Notes to Financial Statements.

GREAT MN SCHOOLS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 436,493	$ (1,151,753)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Amortization and Depreciation	1,422	2,265
Noncash Addition of ROU Asset	(30,811)	-
Amortization of ROU Asset	10,434	-
(Increase) Decrease in Current Assets:		
Pledges and Accounts Receivable	-	52,773
Prepaid and Other Assets	(6,400)	11,427
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(60,353)	64,013
Accrued Liabilities	(9,970)	2,550
Fiscal Agent Payable	(89,833)	89,833
Lease Liability	21,051	-
School Grants Payable	(274,000)	71,390
Net Cash Used by Operating Activities	(1,967)	(857,502)
Cash and Cash Equivalents - Beginning of Year	394,288	1,251,790
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 392,321	$ 394,288

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Created in 2015, Great MN Schools (the Organization) believes great schools matter and that they change lives.

We see first-hand how some schools demonstrate that children from all races, means, and origins can achieve. We need more of them—district, public charter, and independent—because all children should be able to attend high-performing schools that prepare them to thrive in their lives, careers, and communities.

Our school-centered approach starts with identifying schools with strong leaders and culture, and helping them diagnose their strengths and gaps. We facilitate the development of a strategic roadmap, and surround schools with support to ensure the implementation of strategic interventions and evidence-based solutions. Together, we partner for continual progress toward excellence.

And we build community partnerships to support underserved families' ability to navigate K-12 systems and advocate for their children through new tools and resources. This work will lead to families choosing better options for their child, and stronger family-school relationships and stronger schools.

By working alongside schools and supporting families, we're uniquely committed to transforming education equity for students—no matter their background.

We believe that great schools are the cornerstone of a just and thriving community. Ensuring that every child is able to attend one is our moral and social imperative—our children deserve no less.

Financial Statement Presentation

Net assets are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization 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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All releases from restriction satisfied purpose restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Organization uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. The Organization files Form 990 in the U.S. federal jurisdiction and the state of Minnesota.

The Organization follows the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of the implementation of this standard. The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the Internal Revenue Service (IRS).

Cash and Cash Equivalents

The Organization considers a checking account to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time-to-time, the Organization’s balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Property and Equipment

Property and equipment are carried at cost when purchased and capitalized if the cost exceeds $500. The Organization’s current capitalized assets are a website and computers that are being amortized and depreciated over a three-year useful life.

School Grants Payable

School grants payable represent grants that have been approved to be paid to various schools that have not yet been paid as of year-end. During the year, grants have been approved and disbursed to organizations in which some of the Organization’s board members may be involved through board or other advisory relationships. It is the Organization’s policy to have each board member disclose the conflict of interest. Board members with a conflict of interest are prohibited from voting on the grants to these organizations in those instances.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

All donor-restricted support is reported as an increase in the net assets with donor restriction, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as Net Assets Released from Restrictions.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between programs and the supporting services benefited. Expenses which are not directly identifiable by program or supporting service are allocated on the best estimates of management (based on time estimates).

Estimates

Management uses estimates and assumptions in preparing financials 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.

Adoption of New Accounting Standards

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

The Organization adopted the requirements of the guidance effective July 01, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization’s ROU assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Leases

The Organization leases office space for general operations. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 18, 2023, which is the date the financial statements were available to be issued.

NOTE 2 MAJOR SOURCE AND CONCENTRATION OF SUPPORT

Contribution revenue for the years ended June 30, 2023 and 2022 consists of approximately 96% and 91%, respectively, from The Minneapolis Foundation that represents contributions from multiple foundations and individuals made directly to The Minneapolis Foundation and then transferred to the Organization.

NOTE 3 LIQUIDITY AND AVAILABILITY

The finance committee of the board of directors periodically reviews the cash reserves policy which is designed to support operations during periods when an operating revenue shortfall may occur. The target minimum cash reserve is equal to 1) three months of average ongoing operating costs, 2) the costs of any contractor contracts signed prior to the beginning of each fiscal year, and 3) future school investment commitments – both direct funding and aligned funding – at a ratio of 80% for commitments in the next fiscal year and 20% for commitments beyond the next fiscal year. The calculation of average monthly operating costs includes all recurring, predictable expenses. Cash reserves are liquid assets and must be available to be accessed within 14 days of any request.

	2023	2022
Cash and Cash Equivalents	$ 392,321	$ 394,288

NOTE 4 LEASE – ASC 842

The Organization leases office space that has monthly payments ranging from $2,460 through $2,745 through expiration in March 2024 and with various terms under long-term, noncancellable lease arrangements.

The following table provides quantitative information concerning the Organization's leases for the year ended June 30, 2023:

Lease Costs:	
Operating Lease Costs	$ 15,906
Other Information:	
Operating Cash Flows from Operating Leases	$ 10,434
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 30,811
Weighted-Average Remaining Lease Term - Operating Leases	0.8 years
Weighted-Average Discount Rate - Operating Leases	3.78%

The Organization classified the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year	Operating Leases
2024	$ 21,051

NOTE 4 LEASE – ASC 842 (CONTINUED)

Total rent expense was $37,074 for the year ended June 30, 2022. Future minimum lease payments as of June 30, 2022 were $42,413 due in 2023 and $33,275 due in 2024 (for a total of $75,691).

Subsequent to year-end, the Organization added additional space to this lease and extended the term through March 31, 2025. The additional spaces will add approximately $103,000 of lease payments over the additional term of the lease.