PROPEL NONPROFITS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED MARCH 31, 2018 AND 2017

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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, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Unmodified 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Propel Nonprofits

Other Matters

Supplementary Information – Schedule of Financial Position and Activities by Fund

Our audit as of and for the year ended March 31, 2018 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.

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, on our consideration of Propel Nonprofits' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Propel Nonprofits' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Propel Nonprofits' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2018

PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

	March 31, 2018			March 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 6,183,379	$ 693,648	$ 6,877,027	$ 4,478,902	$ 2,934,402	$ 7,413,304
Certificates of Deposit	-	-	-	141,489	-	141,489
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of $6,331 in 2018 and $27,200 in 2017	245,704	1,422,895	1,668,599	200,388	1,180,150	1,380,538
Loans Receivable, Net of Allowance of $433,745 in 2018 and $345,873 in 2017	6,505,029	-	6,505,029	5,436,931	-	5,436,931
Loan Interest Receivable	79,504	-	79,504	33,933	-	33,933
Prepaids	91,230	-	91,230	200,783	-	200,783
Total Current Assets	13,104,846	2,116,543	15,221,389	10,492,426	4,114,552	14,606,978
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of $1,047,257 in 2018 and $593,289 in 2017	15,371,223	-	15,371,223	12,407,142	-	12,407,142
Accounts and Grants Receivable, Net of Discount of $-0- in 2018 and $18,454 in 2017	-	-	-	-	586,396	586,396
Other Real Estate Owned, Net	60,811	-	60,811	60,811	-	60,811
Certificates of Deposit	-	393,993	393,993	288,487	-	288,487
Fixed Assets, Net of Depreciation	1,077,752	-	1,077,752	106,151	-	106,151
Total Noncurrent Assets	16,509,786	393,993	16,903,779	12,862,591	586,396	13,448,987
Total Assets	$ 29,614,632	$ 2,510,536	$ 32,125,168	$ 23,355,017	$ 4,700,948	$ 28,055,965

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2018 AND 2017

	March 31, 2018			March 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Notes Payable	$ 2,458,207	$ -	$ 2,458,207	$ 2,154,176	$ -	$ 2,154,176
Accounts Payable and Accrued Expenses	311,173	-	311,173	231,463	-	231,463
Capital Lease Obligation	4,463	-	4,463	2,164	-	2,164
Interest Payable	87,545	-	87,545	36,346	-	36,346
Deferred Revenue	8,875	-	8,875	3,110	-	3,110
Deferred Rent Credit	31,570	-	31,570	-	-	-
Funds Managed for Fiscally Sponsored Clients	996,490	-	996,490	950,381	-	950,381
Total Current Liabilities	3,898,323	-	3,898,323	3,377,640	-	3,377,640
LONG-TERM LIABILITIES						
Notes Payable	14,909,440	-	14,909,440	10,807,321	-	10,807,321
Capital Lease Obligation	11,274	-	11,274	1,295	-	1,295
Deferred Rent Credit	276,241	-	276,241	-	-	-
Total Long-Term Liabilities	15,196,955	-	15,196,955	10,808,616	-	10,808,616
Total Liabilities	19,095,278	-	19,095,278	14,186,256	-	14,186,256
NET ASSETS						
Without Donor Restrictions:						
Undesignated	10,519,354	-	10,519,354	7,168,761	-	7,168,761
Designated by Board for Lending	-	-	-	2,000,000	-	2,000,000
Total Unrestricted Net Assets	10,519,354	-	10,519,354	9,168,761	-	9,168,761
With Donor Restrictions	-	2,510,536	2,510,536	-	4,700,948	4,700,948
Total Net Assets	10,519,354	2,510,536	13,029,890	9,168,761	4,700,948	13,869,709
Total Liabilities and Net Assets	$ 29,614,632	$ 2,510,536	$ 32,125,168	$ 23,355,017	$ 4,700,948	$ 28,055,965

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2018 AND 2017

	March 31, 2018			March 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Gifts and Grants	$ 383,410	$ 3,336,294	$ 3,719,704	$ 446,813	$ 5,226,554	$ 5,673,367
Loan Interest Income	1,226,144	-	1,226,144	1,091,894	-	1,091,894
Loan Fee Revenue	121,949	-	121,949	75,932	-	75,932
Program Revenue	1,034,244	-	1,034,244	377,148	-	377,148
Investment Income	21,032	-	21,032	13,904	-	13,904
Other Income	-	-	-	31,901	-	31,901
Contribution from Acquisition	-	-	-	312,321	1,317,537	1,629,858
Net Assets Released from Restrictions	5,526,706	(5,526,706)	-	2,384,363	(2,384,363)	-
Total Revenues	8,313,485	(2,190,412)	6,123,073	4,734,276	4,159,728	8,894,004
EXPENSES						
Program Service:						
Training, Guidance, and Knowledge Sharing	737,823	-	737,823	725,830	-	725,830
Lending	1,954,288	-	1,954,288	1,176,389	-	1,176,389
Strategic Services	470,101	-	470,101	120,733	-	120,733
Accounting and Finance Services	585,312	-	585,312	135,535	-	135,535
FS and Incorporation Services	2,473,614	-	2,473,614	1,526,639	-	1,526,639
Program	6,221,138	-	6,221,138	3,685,126	-	3,685,126
Core Mission Support: Management and General	654,879	-	654,879	471,664	-	471,664
Core Mission Support: Fundraising	86,875	-	86,875	44,757	-	44,757
Total Expenses	6,962,892	-	6,962,892	4,201,547	-	4,201,547
CHANGE IN NET ASSETS	1,350,593	(2,190,412)	(839,819)	532,729	4,159,728	4,692,457
Net Assets - Beginning of Year	9,168,761	4,700,948	13,869,709	8,636,032	541,220	9,177,252
NET ASSETS - END OF YEAR	$ 10,519,354	$ 2,510,536	$ 13,029,890	$ 9,168,761	$ 4,700,948	$ 13,869,709

See accompanying Notes to Financial Statements.

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

	Year Ended March 31, 2018										
	Program Services						Core Mission Support				
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	One-Time Merger Expenses	Management and General	Fundraising	Subtotal	Total
EXPENSES											
Personnel Expenses	$ 414,356	$ 577,051	$ 243,596	$ 420,672	$ 176,378	$ 1,832,053	$ 39,779	$ 390,556	$ 46,144	$ 476,479	$ 2,308,532
Contracted Services	168,033	14,048	61,731	48,613	16,384	308,810	13,952	33,334	32,336	79,622	388,431
Grants to Other Entities	40,000	-	102,700	-	2,225,945	2,368,645	-	-	-	-	2,368,645
Capital Support to Nonprofits	-	43,333	-	-	-	43,333	-	-	-	-	43,333
Occupancy	35,538	55,035	26,898	49,686	22,173	189,330	-	44,095	3,637	47,732	237,062
Equipment and Technology Expense	26,566	39,093	20,254	38,565	16,351	140,828	2,468	38,491	2,870	43,829	184,657
Travel Expenses	15,878	10,822	1,974	4,391	1,860	34,926	-	3,677	77	3,755	38,680
Meeting Expenses	12,861	3,082	4,841	940	2,197	23,922	7,636	6,100	89	13,825	37,747
Marketing and Communications Expenses	7,147	3,358	1,604	3,354	1,555	17,019	28,617	1,863	247	30,727	47,746
Other Operating Expenses	17,444	24,691	6,503	16,827	7,310	72,775	5,895	38,240	1,474	45,610	118,385
Interest Expense on Debt	-	330,133	-	-	-	330,133	-	-	-	-	330,133
Provision for Loan Loss Reserve	-	845,466	-	-	-	845,466	-	-	-	-	845,466
Other Filing and Fee Expense	-	8,174	-	2,261	3,463	13,898	-	176	-	176	14,074
Total Direct Expenses	737,823	1,954,288	470,101	585,312	2,473,614	6,221,138	98,348	556,531	86,875	741,754	6,962,892
Administrative Allocation	101,964	155,243	78,360	146,972	63,002	545,540	-	(556,531)	10,991	(545,540)	-
Fundraising Allocation	18,245	28,552	14,632	25,335	11,101	97,865	-	-	(97,865)	(97,865)	-
True Program Costs	$ 858,032	$ 2,138,082	$ 563,094	$ 757,619	$ 2,547,718	$ 6,864,544	$ 98,348	$ -	$ -	$ 98,348	$ 6,962,892

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2017

	Year Ended March 31, 2017										
	Program Services						Core Mission Support				
	Training, Guidance, and Knowledge Sharing	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship and Incorporation Services	Subtotal	One-Time Merger Expenses	Management and General	Fundraising	Subtotal	Total
EXPENSES											
Personnel Expenses	$ 372,569	$ 505,568	$ 98,470	$ 105,575	$ 35,932	$ 1,118,115	$ -	$ 280,308	$ 33,494	$ 313,802	$ 1,431,917
Contracted Services	174,569	19,987	9,814	13,540	8,012	225,921	63,089	36,968	7,344	107,402	333,323
Grants to Other Entities	70,000	-	-	-	1,476,248	1,546,248	-	-	-	-	1,546,248
Capital Support to Nonprofits	-	-	-	-	-	-	-	-	-	-	-
Occupancy	30,193	39,890	2,918	5,418	1,439	79,859	6,093	20,889	1,632	28,614	108,473
Equipment and Technology Expense	20,250	24,828	4,087	7,849	1,977	58,990	2,982	19,608	1,133	23,723	82,713
Travel Expenses	18,626	7,422	874	687	63	27,672	100	2,964	29	3,092	30,764
Meeting Expenses	19,912	1,855	318	34	1	22,121	-	3,779	7	3,786	25,907
Marketing and Communications Expenses	4,344	4,653	320	601	657	10,575	7,125	62	113	7,299	17,874
Other Operating Expenses	15,365	16,405	3,932	1,832	1,761	39,294	5,083	22,614	1,006	28,703	67,997
Interest Expense on Debt	-	301,546	-	-	-	301,546	-	-	-	-	301,546
Provision for Loan Loss Reserve	-	248,896	-	-	-	248,896	-	-	-	-	248,896
Other Filing and Fee Expense	-	5,339	-	-	550	5,889	-	-	-	-	5,889
Total Direct Expenses	725,830	1,176,389	120,733	135,535	1,526,639	3,685,126	84,472	387,192	44,757	516,421	4,201,547
Administrative Allocation	135,533	164,841	28,687	35,077	12,732	376,870	-	(387,192)	10,322	(376,870)	-
Fundraising Allocation	19,808	24,091	4,193	5,126	1,861	55,079	-	-	(55,079)	(55,079)	-
True Program Costs	$ 881,171	$ 1,365,322	$ 153,613	$ 175,738	$ 1,541,231	$ 4,117,075	$ 84,472	$ -	$ -	$ 84,472	$ 4,201,547

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (839,819)	$ 4,692,457
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	138,842	50,146
Gain on Sale of Other Real Estate Owned	-	31,901
Gain on Sale of Fixed Assets	1,018	-
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	298,335	(1,881,039)
Loan Interest Receivable	(45,571)	38,131
Prepaids	109,553	(168,388)
Accounts Payable and Accrued Expenses	79,710	120,579
Interest Payable	51,199	(11,842)
Deferred Revenue	5,765	(2,310)
Deferred Rent Credit	307,811	-
Cash Receipts on Behalf of Fiscally Sponsored Clients	2,931,272	1,542,823
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(2,885,163)	(592,442)
Net Cash Provided by Operating Activities	152,952	3,820,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principal Advanced	(13,445,498)	(9,956,819)
Loan Receivable Repayments	8,524,019	11,644,356
Loan Forgiveness - Equity Builder Program	43,333	-
Loan Receivable Charge Offs	304,135	191,013
Increase (Decrease) in Allowance for Uncollectable Loan Receivable	541,841	(112,107)
Proceeds from Sale of Other Real Estate Owned	-	403,296
Purchase of Fixed Assets	(1,111,811)	(124,747)
Net Change in Certificates of Deposit	35,983	304,829
Net Cash Provided (Used) by Investing Activities	(5,107,998)	2,349,821
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	6,081,122	4,705,583
Principal Payments on Notes Payable	(1,674,974)	(5,832,931)
Principal Payments on Capital Lease Obligation	12,621	(2,094)
Net Cash Provided (Used) by Financing Activities	4,418,769	(1,129,442)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(536,277)	5,040,395
Cash and Cash Equivalents - Beginning of Year	7,413,304	2,372,909
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,877,027	$ 7,413,304
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	$ 278,934	$ 313,388

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Name Change – 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, the Nonprofits Assistance Fund submitted a request for determination by the IRS to reclassify its status to that of an organization described in Code Sections 509(a)(1) and 170(B)(1)(A)(vi). On September 1, 2017, the IRS issued a letter stating that then Nonprofits Assistance Fund met the requirements for classification as a public charity. After the October name change, Propel Nonprofits requested and received an updated determination letter from the IRS dated November 15, 2017 confirming that the renamed organization, now officially Propel Nonprofits, was determined to be a public charity.

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits serves nonprofits in Minnesota and neighboring states. Propel Nonprofits' programs are as follows:

Program and Operations – As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel Nonprofits makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements. Propel Nonprofits provides a wide range of integrated programs and services for nonprofit organizations. Services to nonprofits include programs designed to provide financial management assistance to loan clients and to other nonprofits. Programs provide strategic consulting services, outsourced accounting and financial services, and incorporation services for startup organizations. Customized technical assistance helps organizations understand their financial situation, identify priorities, and develop a plan of action for the near and long-term future. Technical assistance and consulting services include a wide range of diagnostic and mentoring discussions with staff and board leaders. These projects help nonprofits identify, analyze, and adapt their business model and develop plans to tie their mission and goals to strategies that grow capacity and strengthen sustainability. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at our disposal to meet those lending needs. Loans made to nonprofits range from $20,000 to $1,000,000, and loan clients are organizations of all sizes and stages of development.

Fiscal Sponsorship Fund – Acting as a fiscal sponsor offers support and oversight to emerging organizations and a pathway for charitable giving that helps develop innovative responses to unmet community needs.

Tax Exempt Status

Propel Nonprofits is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code. It has been classified as a public charity that is not a private foundation under the Internal Revenue Code 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:

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.

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of Propel Nonprofits or by the passage of time.

Propel Nonprofits has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class. Propel Nonprofits has no permanently restricted net assets as of March 31, 2018 and 2017.

Basis of Accounting

The accompanying financial statements of Propel Nonprofits are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Propel Nonprofits classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents. Propel Nonprofits maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

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 $6,331 and $27,150 as of March 31, 2018 and 2017, respectively. As a result of the business combination with MAP for Nonprofits, Propel Nonprofits acquired increased accounts receivable related to its accounting and financial services program and its strategic consulting services program. At the time of the business combination, an allowance for doubtful accounts of $27,150 was assumed from MAP for Nonprofits and maintained at this level as of March 31, 2017. In fiscal year 2018, $29,215 in accounts receivable that had been acquired as part of the merger were subsequently written off. A recovery of $2,000 was also made during the fiscal year. As of March 31, 2018, management reviewed the aging receivables and made an additional provision for bad debt expense of $6,396 to bring the allowance for doubtful accounts to $6,331. Management estimates this allowance of $6,331 to be appropriate to the current quality of receivables.

Loans Receivable

The loans receivable consist of notes with interest rates ranging from 2% to 7% with maturities through 2030. The board of directors has adopted a loan loss reserve policy. A loan loss reserve is maintained that is considered adequate to absorb losses inherent in the loan portfolio. Propel Nonprofits provides an allowance for uncollectible loans using the allowance method as well as a specific identification method. Interest income is not accrued on loans that are considered to be nonperforming. Various loans are secured by business assets or real-estate collateral.

Other Real Estate Owned

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell. Subsequent to recording the asset, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expense from operations and changes in the valuation are included in the Other Income and/or Program Expense line items of the statements of activities.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are considered to be without donor restriction unless specifically communicated by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. When restrictions are fulfilled in the same time period as the contribution is received, Propel Nonprofits presents such contributions in the net assets without donor restrictions class.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Payable with Below-Market Interest Rates

After evaluation, it was determined that there is no material difference between prevailing community development finance market rates and the stated rate of any loans, notes payable, or other liabilities in Propel Nonprofits' portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2018 or 2017.

Equipment

All major expenditures $1,000 or more for equipment are capitalized at cost. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulation, contributions of equipment are recorded as without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expense

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which Propel Nonprofits delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Fair Value Measurements

Propel Nonprofits categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with accounting standards. Propel Nonprofits does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or nonrecurring basis.

Subsequent Events

In preparing these financial statements, Propel Nonprofits has evaluated events and transactions for potential recognition or disclosure through June 20, 2018, the date the financial statements were available to be issued.

NOTE 2 BUSINESS COMBINATION

The merger of then Nonprofits Assistance Fund and MAP for Nonprofits in FY2017 is reflected in the line item contribution from acquisition on the statements of activities. (See Note 2 of the FY2017 audited Financial Statements for more detail). Given that the merger was effective January 1, 2017, only one quarter of the 2017 fiscal year reflects the larger organization. The fiscal year 2018 financial statements presented here are the first to reflect a full fiscal year for Propel Nonprofits as a larger, merged organization. Comparisons of FY2018 and FY2017 financial information should take into account this timing.

NOTE 3 FISCAL SPONSORSHIP

Propel Nonprofits acts as a fiscal sponsor to emerging projects based in Minnesota, North Dakota, South Dakota, and Wisconsin. These entities may be in the process of applying for 501(c)(3) status or may be short-term in nature or may be exploring whether becoming a separate nonprofit is the most appropriate long-term strategy to accomplish their mission. Propel Nonprofits accepts charitable grants and contributions on behalf of these projects. These funds are treated as contributions with donor restrictions when received by Propel Nonprofits. These funds are released from restriction as Propel Nonprofits in turn grants them to the fiscally-sponsored recipients. Propel Nonprofits ultimately retains the discretion to redirect the funds to another entity if needed to accomplish the purpose of the donor.

Once the funds have been granted to the fiscally-sponsored client, the client has the option to hold and manage those funds on its own or enter an arrangement where Propel Nonprofits administers the funds on behalf of the client. If the client chooses to have Propel Nonprofits administer its funds, those funds become a liability of Propel Nonprofits. Propel Nonprofits holds the client’s funds in a custodial account, provides bookkeeping and accounting services, and assists in other administrative duties. The management of the fiscally-sponsored client directs the use of the funds. Propel Nonprofits simply executes the mechanics of the transactions. As of March 31, 2018 and 2017, the total liability of funds managed for fiscally-sponsored clients was $996,490 and $950,381, respectively.

NOTE 4 LOANS RECEIVABLE

Propel Nonprofits’ mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel Nonprofits makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements. Propel Nonprofits manages its loan portfolio with its mission and the missions of its nonprofit partners in mind. The following information details the loan portfolio, its performance, and its reach into the nonprofit sector.

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Anticipated principal payments on loans receivable as of March 31, 2018 are as follows:

Year Ending March 31,	Amount
2019, Net of Allowance of $433,745	$ 6,505,029
2020 through 2023, Net of Allowance of $880,941	11,931,851
Thereafter, Net of Allowance of $166,316	3,439,372
Total	$ 21,876,252

Propel Nonprofits has the following commitments as of March 31, 2018:

Available Nonrevolving Lines of Credit, with Maturities to FY2019	$ 48,463
Available Lines of Credit, with Maturities through FY2020	2,863,465
Term Loans Originated but Not Fully Disbursed as of Year-End	400,000
Total Commitments	$ 3,311,928

Loans receivable at March 31 were comprised of the following:

	2018	2017
Working Capital/Business	$ 5,945,832	$ 5,270,845
Working Capital/Equity Builder	1,464,388	443,937
Community Facilities	14,091,045	12,233,289
Affordable Housing	1,855,989	835,164
Subtotal	23,357,254	18,783,235
Allowance for Loan Losses	(1,481,002)	(939,162)
Loans Receivable, Net	$ 21,876,252	$ 17,844,073

Working capital/business loan credit is extended to nonprofit organizations for program expansion, short-term bridge loans, cash flow stabilization, and funding growth. These loans are often secured with business assets such as grants receivable or program revenue receivables, sometimes with other business assets such as liens on facilities, but may in some short-term situations be made on an unsecured basis.

Equity Builder loan credit is a new product first piloted in FY2017. The pilot brings capital to arts organizations and other nonprofits anchored in and transformational in their communities, especially communities of color and emerging immigrant communities. The program includes a new loan product that provides a 3-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 3-year term.

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Community facilities loan credit is generally extended to nonprofit organizations for building purchase, building repair, or renovation. Most of these loans are secured with first or second position mortgage liens.

Affordable housing loan credit is extended to nonprofit organizations specifically for the acquisition, construction, and/or renovation of single family or multi-family residences. Most of these loans are secured with mortgage liens or other business assets.

Aging of Past Due Loans: The following table presents the aging of past due loans by loan segment as of March 31:

	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
As of March 31, 2018						
Working Capital/Business	$ 5,595,832	$ -	$ -	$ 350,000	$ 5,945,832	$ -
Working Capital/Equity Builder	1,464,388	-	-	-	1,464,388	-
Community Facilities	13,299,041	-	-	792,004	14,091,045	-
Affordable Housing	1,855,989	-	-	-	1,855,989	-
Total	$ 22,215,250	$ -	$ -	$ 1,142,004	$ 23,357,254	$ -
As of March 31, 2017						
Working Capital/Business	$ 5,091,345	$ 179,500	$ -	$ -	$ 5,270,845	$ -
Working Capital/Equity Builder	443,937	-	-	-	443,937	-
Community Facilities	12,233,289	-	-	-	12,233,289	-
Affordable Housing	835,164	-	-	-	835,164	-
Total	$ 18,603,735	$ 179,500	$ -	$ -	$ 18,783,235	$ -

Propel Nonprofits uses an internal risk rating system to monitor the credit quality of its loan portfolio. At the time of loan approval, each loan is assigned an initial risk classification. Classifications are reviewed at least quarterly during the term of the loan and at any time there is a significant change, positive or negative, in the borrower's operations.

Loan credit quality is rated using letter designations from A to G, with A being the highest quality rating and G being the lowest. Each category is differentiated based on evaluation of financial measures, management and governance, collateral, payment history, and likelihood of full repayment. For reporting purposes in the following tables, ratings A, B, and C are grouped as Pass. Loans rated D are considered Watch. Loans with quality ratings of E and F are considered Substandard. Loans rated G are listed as Doubtful.

NOTE 4 LOANS RECEIVABLE (CONTINUED)

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

As of March 31, 2017	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	$ 4,668,604	$ 572,741	$ 29,500	$ -	$ 5,270,845
Working Capital/Equity Builder	443,937	-	-	-	443,937
Community Facilities	11,767,119	466,170	-	-	12,233,289
Affordable Housing	835,164	-	-	-	835,164
Total	$ 17,714,824	$ 1,038,911	$ 29,500	$ -	$ 18,783,235
Current	$ 17,564,824	$ 1,038,911	$ -	$ -	$ 18,603,735
Past Due 31-60 Days	150,000	-	29,500	-	179,500
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	-	-	-
Total	$ 17,714,824	$ 1,038,911	$ 29,500	$ -	$ 18,783,235

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:

March 31, 2018	Working Capital Business	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
Allowance for Loan Losses					
Beginning Balance	$ 340,671	$ 23,162	$ 538,012	$ 37,317	$ 939,162
Charge Offs	(304,126)	-	-	-	(304,126)
Recoveries	500	-	-	-	500
Provisions	269,061	42,783	495,271	38,351	845,466
Ending Balance	$ 306,106	$ 65,945	$ 1,033,283	$ 75,668	$ 1,481,002
Allowance for Loan Losses					
Ending Balance: Individually Evaluated for Impairment	$ 24,779	$ -	$ 467,503	$ -	$ 492,282
Ending Balance: Collectively Evaluated for Impairment	281,330	65,945	565,779	75,666	988,720
Total	$ 306,109	$ 65,945	$ 1,033,282	$ 75,666	$ 1,481,002
Financing Receivables					
Ending Balance: Individually Evaluated for Impairment	$ 397,787	$ -	$ 1,118,191	$ -	$ 1,515,978
Ending Balance: Collectively Evaluated for Impairment	5,548,045	1,464,388	12,972,854	1,855,989	21,841,276
Total	$ 5,945,832	$ 1,464,388	$ 14,091,045	$ 1,855,989	$ 23,357,254

NOTE 4 LOANS RECEIVABLE (CONTINUED)

March 31, 2017	Working Capital Business	Working Capital Equity Builder	Community Facilities	Affordable Housing	Total
Allowance for Loan Losses					
Beginning Balance	$ 317,657	$ -	$ 706,405	$ 27,207	$ 1,051,269
Charge Offs	(223,117)	-	(142,896)	-	(366,013)
Recoveries	5,010	-	-	-	5,010
Provisions	241,121	23,162	(25,497)	10,110	248,896
Ending Balance	$ 340,671	$ 23,162	$ 538,012	$ 37,317	$ 939,162
Allowance for Loan Losses					
Ending Balance: Individually Evaluated for Impairment	$ 39,500	$ -	$ -	$ -	$ 39,500
Ending Balance: Collectively Evaluated for Impairment	301,172	23,162	538,011	37,317	899,662
Total	$ 340,672	$ 23,162	$ 538,011	$ 37,317	$ 939,162
Financing Receivables					
Ending Balance: Individually Evaluated for Impairment	$ 602,241	$ -	$ 466,170	$ -	$ 1,068,411
Ending Balance: Collectively Evaluated for Impairment	4,668,604	443,937	11,767,119	835,164	17,714,824
Total	$ 5,270,845	$ 443,937	$ 12,233,289	$ 835,164	$ 18,783,235

Loan Charge Offs and Recoveries: On April 30, 2014, Propel Nonprofits received a deed for property in lieu of foreclosure from a borrower in Princeton, MN. The property received in lieu of foreclosure was collateral for two loans to a single nonprofit organization that ceased operations. As of the acquisition date, Propel Nonprofits recorded the property as Other Real Estate Owned. The property was held for sale. At the time of acquisition, the value of the property was determined to be in excess of the carrying amount of the loans on which the property served as collateral. The property was recorded at carrying amount. On December 9, 2016, the property sold for $493,507. At the time of sale, a gain of $31,901 was recognized on the statement of activities for the year ended March 31, 2017.

On November 21, 2016, Propel Nonprofits received a deed for property in lieu of foreclosure from a borrower in West Concord, MN. As of the acquisition date, Propel Nonprofits recorded the property as Other Real Estate Owned. The property is held for sale. At the time of acquisition, the value of the property was determined to be in excess of the carrying amount of the loans on which the property served as collateral. The property was recorded at carrying amount. As of March 31, 2018, the recorded carrying amount is $60,811.

During fiscal year 2018, Propel Nonprofits charged off three loans in the amount of $304,126. Per its policy and practice, Propel Nonprofits had been evaluating the status of these loans periodically and had assigned reserves accordingly. At the time of the charge off, Propel Nonprofits had fully reserved against the potential loss. The balance of the loan loss reserve was reduced by the charge off.

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Loan Charge Offs and Recoveries (Continued):
During fiscal year 2018, Propel Nonprofits received a payment of $500 towards a loan balance that had been written off in a previous year. This amount is considered a recovery and the loan loss reserve is increased accordingly.

Modified and Restructured Loans: On occasion, an outstanding loan is modified or restructured to offer the nonprofit borrower the best chance of success in sustaining their business model and repaying the loan. Modifications may take the form of temporary adjustments for interest-only payments, a reduction in interest rate, an extension of maturity date, or other amendments to the original terms of the loan. To be considered a restructure, the modifications must be in the nature of a concession that would not ordinarily be offered to a borrower in the normal course of business and the borrower must be experiencing financial difficulties. Propel Nonprofits has had great success in using occasional modifications to strengthen the performance of nonprofit borrowers. In FY2018, two loans totaling $103,842 were modified bringing the total balance of modified loans to $1,382,545. In FY2017, three loans totaling $913,951 were modified and the balance of modified loans as of March 31, 2017 was $1,578,201. Of the three loans written off in FY2018, one was a modified loan in the amount of $29,500. Of the modified loans as of March 31, 2018 and 2017, all were performing and were current with payments with the exception of the one loan of $29,500 which was 90 days past due as of March 31, 2017.

Balances as of March 31, 2018	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	$ 614,357	$ 23,690	$ -	$ -	$ 638,047
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	744,498	-	-	-	744,498
Affordable Housing	-	-	-	-	-
	$ 1,358,855	$ 23,690	$ -	$ -	$ 1,382,545
Balances as of March 31, 2018					
Modified in FY2018	$ 103,842	$ -	$ -	$ -	$ 103,842
Modified in FY2017	885,351	-	-	-	885,351
Modified in FY2016	171,132	23,690	-	-	194,822
Modified in Prior FYs	198,530	-	-	-	198,530
	$ 1,358,855	$ 23,690	$ -	$ -	$ 1,382,545

Balances as of March 31, 2017	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	$ 419,562	$ 254,856	$ 29,500	$ -	$ 703,918
Working Capital/Equity Builder	-	-	-	-	-
Community Facilities	746,641	89,205	-	-	835,846
Affordable Housing	38,437	-	-	-	38,437
	$ 1,204,640	$ 344,061	$ 29,500	$ -	$ 1,578,201
Balances as of March 31, 2017					
Modified in FY2017	$ 770,101	$ 143,249	$ -	$ -	$ 913,350
Modified in FY2016	130,849	200,812	29,500	-	361,161
Modified in FY2015	59,346	-	-	-	59,346
Modified in Prior FYs	244,344	-	-	-	244,344
	$ 1,204,640	$ 344,061	$ 29,500	$ -	$ 1,578,201

NOTE 5 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT

Propel Nonprofits maintains and manages adequate operating and loan fund reserves per policies set by its board of directors. In the case of the operating reserve, the Finance Committee of the board regularly reviews and recommends reserve policies to the full board for approval. In the case of loan fund reserves, including loan loss reserves, the Loan Committee regularly reviews and recommends reserve policies to the full board for approval. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are made up of the following:

Assets Without Donor Restrictions Available Within 12 Months:		
Cash and Cash Equivalents (Program and Operations)	$	981,910
Cash and Cash Equivalents (Loan Fund)		4,206,439
Accounts Receivable (Net of Allowance)		244,244
Loan Interest Receivable		79,504
Total	$	5,512,097

Per its financial policies, Propel Nonprofits maintains an operating reserve with a value of no less than one-fourth of budgeted operating expenses, calculated less noncash items such as loan loss reserves and depreciation, and less grants to other entities that have a specific, corresponding revenue source. The reserve itself consists of cash, cash equivalents, CDs, assets with donor restrictions that will likely be released within 90 days, and other receivables likely to mature within 90 days.

Operating Reserve Available Within 90 days:		
Cash and Cash Equivalents (Program and Operations Only)	$	981,910
Accounts Receivable (Net of Allowance)		244,244
Loan Interest Receivable (Available for Program and Operations)		79,504
Donor-Restricted Assets Estimated to be Released Within 90 Days		185,164
Total	$	1,490,822
Operating Reserve Requirement Per Policy:		
Budgeted Operating Expenses FY2019	$	5,347,946
Less Depreciation Expense		(161,700)
Less Provision for Loan Loss Reserves		(104,195)
Less Grants to Other Entities with a Corresponding Source of Revenue		(995,833)
Subtotal		4,086,218
Total Operating Reserve Requirement	$	1,021,555

NOTE 5 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT (CONTINUED)

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

	Balance as of March 31, 2018	Estimated for Release
Cash With Donor Restrictions (Program and Operations)	$ 693,648	$ 693,648
Grants Receivable With Donor Restrictions (Program and Operations)	646,396	181,419
Grants Receivable With Donor Restrictions (Loan Fund)	776,500	776,500
Certificates of Deposit With Donor Restrictions (Program and Operations)	393,993	-
Total	$ 2,510,536	$ 1,651,567

Per its loan policies, Propel Nonprofits maintains a loan loss reserve equal to at least 5% of the outstanding loan balance. This reserve is maintained and managed to mitigate the risk of possible loan charge-offs. The loan loss reserve is funded through the operating budget as approved by the board of directors. If deemed necessary, the reserve may from time to time be increased above the minimum 5%. The loan loss reserve calculation method reflects the historical experience of the loan fund and the experienced judgment of management and the board of directors. The calculations rely on accurate and timely risk classifications made by the management. See Note 4 - Loans Receivable for detailed information on the loan loss reserve as of March 31, 2018.

Lines of Credit Available:

Available for Program and Operations and Loan Fund:	Maturity Date	Balance
Minnesota Bank & Trust	11/30/2018	$ 2,000,000
Synchrony Financial	11/30/2019	2,000,000
The Minneapolis Foundation	4/1/2022	2,000,000
Total		$ 6,000,000

Subsequent to Balance Sheet Date

	Maturity Date	
Alerus Financial - Line of Credit (Originated 05/31/2018)	5/31/2019	$ 500,000

The Finance Committee, Loan Committee, and board receive quarterly financial and loan portfolio reports that include information on liquidity and reserves. As part of its commitment to investors, Propel Nonprofits provides quarterly investor reports that include financial and loan portfolio data. Propel Nonprofits also maintains its annual certification with the Community Development Financial Institution (CDFI) Fund and is rated on an annual basis by Aeris, the CDFI industry rating agency.

NOTE 6 RELATED PARTY TRANSACTIONS

Though a separate 501(c)(3) nonprofit corporation, Propel Nonprofits is structured as a subsidiary of The Minneapolis Foundation and was a supporting organization of The Minneapolis Foundation until September 2017. (See also Note 1 – Organization for details regarding the change to this status.) Propel Nonprofits pays for a share of certain business and liability insurance expenses covered by blanket policies held by The Minneapolis Foundation. Propel Nonprofits paid The Minneapolis Foundation a total of $12,690 and $7,880 respectively in FY2018 and FY2017 for its proportionate share of business liability, workers compensation, and directors and officers insurances.

Propel Nonprofits has a $2 million revolving line of credit with The Minneapolis Foundation. The line is unsecured and bears interest at The Minneapolis Foundation's cash management rate plus 0.25%, which in FY2018 resulted in an effective rate of 0.30%. There were no outstanding borrowings on the line of credit as of March 31, 2018 and 2017.

In addition, Propel Nonprofits has one note payable with The Minneapolis Foundation of $1 million targeted for charter school lending. Another note of $818,500 through the Community Nonprofits Investment pool of The Minneapolis Foundation came due and was paid off in full on January 1, 2018. This program-related investment (PRI) totaled $-0- as of March 31, 2018 and $818,500 as of March 31, 2017. The interest rate on the remaining loan is 2.00%, payable annually on July 1st, with a maturity date of July 1, 2024. Total interest expense paid to The Minneapolis Foundation by Propel Nonprofits on PRIs was $16,370 and $36,370 for the years ended March 31, 2018 and 2017, respectively.

NOTE 7 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, 2018 are as follows:

Year Ending March 31,	Amount
2019	$ 2,458,207
2020	484,333
2021	770,475
2022	3,504,761
2023	4,960,051
Thereafter	5,189,820
Total	$ 17,367,647

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

Propel Nonprofits has entered into participation agreements with Partners for the Common Good (PCG) and the City of Minneapolis office of Community Planning and Economic Development (CPED). Propel Nonprofits has the obligation to pass through interest and principal payments subject to the terms of the agreements for the life of such agreements. The principal repayment obligations stated in the participation agreements are included in the table above. The current balance of the participations as of March 31, 2018 and 2017 was $421,845 and $534,623 respectively.

NOTE 8 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL

Propel Nonprofits has various revolving lines of credit and other sources of capital not yet drawn that are available for lending to nonprofit organizations. Stated interest rates for these lines range from 0.30% to LIBOR plus 2.75%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2018 and 2017. At March 31, 2018, the following lines of credit and other capital financing were available to be drawn:

Lines of Credit	Maturity Date	Amount
The Minneapolis Foundation (TMF)	11/30/2018	$ 2,000,000
Minnesota Bank & Trust	11/30/2019	2,000,000
Synchrony Financial	04/01/2022	2,000,000
Total Lines of Credit		$ 6,000,000

NOTE 9 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 $90,454 and $50,073 for the years ended March 31, 2018 and 2017, respectively.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Restricted for Specific Purposes:		
Program and Operations	$ 1,147,640	$ 1,144,402
Loan Fund	776,500	1,900,000
Restricted for Use Due to Time	586,396	1,656,546
Total	$ 2,510,536	$ 4,700,948

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

	2018	2017
Release for Satisfaction of Specific Purpose:		
Program and Operations	$ 1,200,761	$ 858,280
Loan Fund	1,975,000	-
Fiscal Sponsorship Fund	2,225,945	1,476,247
Released for Use Due to Time	125,000	49,836
Total	$ 5,526,706	$ 2,384,363

NOTE 11 LEASE OBLIGATION

Effective June 30, Propel Nonprofits reached the end of a 6-month extension of an 84-month operating lease for office space at its former location in the Greenway Building. On June 20, 2017, Propel Nonprofits moved to a new location and commenced a new ten-and-a-half-year lease with monthly payments effective July 1, 2017. Computed on a straight-line basis, rent expense associated with the primary office space at both locations spanning the fiscal year was $109,315 and $47,907 for the years ended March 31, 2018 and 2017, respectively. In October 2013, Propel Nonprofits entered into a 60-month capital lease agreement for a copier/printer, recording $10,342 as a fixed asset. At the time of its move to the new office in June 2017, Propel Nonprofits entered into an additional 60-month capital lease agreement for a second copier, recording $16,371 as a fixed asset. As of March 31, 2018 and 2017, accumulated depreciation on the copiers was $11,698 and $6,981, respectively. Propel Nonprofits also leases other office equipment such as desktop telephones and a postage meter. Total equipment lease expense was $2,271 and $337 for the years ended March 31, 2018 and 2017, respectively.

Future minimum lease payments under all leases as of March 31, 2018 are as follows:

Year Ending March 31,	Old Office Space	New Office Space	Copier/ Printer	Other	Total
2019	$ -	$ 94,704	$ 5,015	$ 3,445	$ 103,164
2020	-	109,736	3,720	2,897	116,353
2021	-	125,413	3,720	391	129,524
2022	-	131,790	3,720	-	135,510
2023	-	135,012	930	-	135,942
Thereafter	-	685,421	-	-	685,421
Future Minimum Payments	-	1,282,076	17,105	6,733	1,305,914
Less: Interest	-	-	(1,368)	-	(1,368)
Present Value of Future Minimum Payments	$ -	$ 1,282,076	$ 15,737	$ 6,733	$ 1,304,546

NOTE 12 TENANT IMPROVEMENT ALLOWANCE

Included in the terms of the new lease for office space described above, Propel Nonprofits received a tenant improvement allowance of $331,488 which reimbursed a portion of the total leasehold improvements paid for by Propel Nonprofits. Because the tenant improvement allowance is considered an incentive, the allowance is treated as a reduction of rent expense. The full amount was booked as Deferred Rent Credit liability and will be amortized over the life of the lease. The total amount paid for leasehold improvements is capitalized as fixed assets and will depreciate over the term of the lease. The lease was effective July 1, 2017. In FY18, the amount of amortized rent credit was $23,677.

PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2018

	Without Donor Restrictions				With Donor Restrictions				
ASSETS	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Total
CURRENT ASSETS									
Cash Accounts	$ 981,910	$ 4,206,439	$ 995,030	$ 6,183,379	$ 693,648	$ -	$ -	$ 693,648	$ 6,877,027
Certificates of Deposit - Short-Term	-	-	-	-	-	-	-	-	-
Accounts Receivable and Grant Receivables, Net of Allowance of $6,331	244,244	-	1,460	245,704	646,395	776,500	-	1,422,895	1,668,599
Loans Receivable, Net of Allowance of $443,745	-	6,505,029	-	6,505,029	-	-	-	-	6,505,029
Loan Interest Receivable	79,504	-	-	79,504	-	-	-	-	79,504
Prepaids and Other	91,230	-	-	91,230	-	-	-	-	91,230
Total Current Assets	1,396,888	10,711,468	996,490	13,104,846	1,340,043	776,500	-	2,116,543	15,221,389
NONCURRENT ASSETS									
Loans Receivable, Net of Allowance of $1,047,257	-	15,371,223	-	15,371,223	-	-	-	-	15,371,223
Other Real Estate Owned, Net	-	60,811	-	60,811	-	-	-	-	60,811
Certificates of Deposit	-	-	-	-	393,993	-	-	393,993	393,993
Fixed Assets, Net of Depreciation	1,077,752	-	-	1,077,752	-	-	-	-	1,077,752
Total Noncurrent Assets	1,077,752	15,432,034	-	16,509,786	393,993	-	-	393,993	16,903,779
Total Assets	$ 2,474,640	$ 26,143,502	$ 996,490	$ 29,614,632	$ 1,734,036	$ 776,500	$ -	$ 2,510,536	$ 32,125,168

PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2018

	Without Donor Restrictions				With Donor Restrictions				
LIABILITIES AND NET ASSETS	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Total
CURRENT LIABILITIES									
Current Portion of Notes Payable	$ 90,046	$ 2,368,161	$ -	$ 2,458,207	$ -	$ -	$ -	$ -	$ 2,458,207
Accounts Payable and Accrued Expenses	307,326	3,847	-	311,173	-	-	-	-	311,173
Capital Lease Obligation	4,463	-	-	4,463	-	-	-	-	4,463
Accrued Interest Payable	87,545	-	-	87,545	-	-	-	-	87,545
Deferred Revenue	8,875	-	-	8,875	-	-	-	-	8,875
Deferred Rent Credit	31,570	-	-	31,570	-	-	-	-	31,570
Fund Managed for Fiscally Sponsored Clients	-	-	996,490	996,490	-	-	-	-	996,490
Total Current Liabilities	529,825	2,372,008	996,490	3,898,323	-	-	-	-	3,898,323
LONG TERM LIABILITIES									
Notes Payable	344,466	14,564,974	-	14,909,440	-	-	-	-	14,909,440
Capital Lease Obligations	11,274	-	-	11,274	-	-	-	-	11,274
Deferred Rent Credit	276,241	-	-	276,241	-	-	-	-	276,241
Total Long-Term Liabilities	631,981	14,564,974	-	15,196,955	-	-	-	-	15,196,955
Total Liabilities	1,161,806	16,936,982	996,490	19,095,278	-	-	-	-	19,095,278
NET ASSETS									
Without Donor Restrictions:									
Undesignated	1,312,834	9,206,520	-	10,519,354	-	-	-	-	10,519,354
Designated for Lending	-	-	-	-	-	-	-	-	-
Total Without Donor Restrictions	1,312,834	9,206,520	-	10,519,354	-	-	-	-	10,519,354
With Donor Restrictions	-	-	-	-	1,734,036	776,500	-	2,510,536	2,510,536
Total Net Assets	1,312,834	9,206,520	-	10,519,354	1,734,036	776,500	-	2,510,536	13,029,890
Total Liabilities and Net Assets	$ 2,474,640	$ 26,143,502	$ 996,490	$ 29,614,632	$ 1,734,036	$ 776,500	$ -	$ 2,510,536	$ 32,125,168

PROPEL NONPROFITS
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2018

	Without Donor Restrictions				With Donor Restrictions				
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Total
REVENUES									
Gifts and Grants	$ 383,410	$ -	$ -	$ 383,410	$ 333,849	$ 776,500	$ 2,225,945	$ 3,336,294	$ 3,719,704
Loan Interest Income	1,226,144	-	-	1,226,144	-	-	-	-	1,226,144
Loan Fee Revenue	121,949	-	-	121,949	-	-	-	-	121,949
Program Revenue	1,034,244	-	-	1,034,244	-	-	-	-	1,034,244
Investment Income	21,032	-	-	21,032	-	-	-	-	21,032
Net Assets Released from Restrictions	1,325,761	1,975,000	2,225,945	5,526,706	(1,400,761)	(1,900,000)	(2,225,945)	(5,526,706)	-
Total Revenues	4,112,540	1,975,000	2,225,945	8,313,485	(1,066,912)	(1,123,500)	-	(2,190,412)	6,123,073
EXPENSES									
Program Services:									
Training, Guidance, and Knowledge Sharing	737,823	-	-	737,823	-	-	-	-	737,823
Lending	1,317,041	637,247	-	1,954,288	-	-	-	-	1,954,288
Strategic Services	470,101	-	-	470,101	-	-	-	-	470,101
Accounting and Finance Services	585,312	-	-	585,312	-	-	-	-	585,312
Fiscal Sponsorship and Incorporation Services	247,669	-	2,225,945	2,473,614	-	-	-	-	2,473,614
Program Services	3,357,946	637,247	2,225,945	6,221,138	-	-	-	-	6,221,138
Core Mission Support: Management and General	654,879	-	-	654,879	-	-	-	-	654,879
Core Mission Support: Fundraising	86,875	-	-	86,875	-	-	-	-	86,875
Total Expenses	4,099,700	637,247	2,225,945	6,962,892	-	-	-	-	6,962,892
CHANGE IN NET ASSETS	12,840	1,337,753	-	1,350,593	(1,066,912)	(1,123,500)	-	(2,190,412)	(839,819)
Net Assets - Beginning of Year	1,299,994	7,868,767	-	9,168,761	2,800,948	1,900,000	-	4,700,948	13,869,709
NET ASSETS - END OF YEAR	$ 1,312,834	$ 9,206,520	$ -	$ 10,519,354	$ 1,734,036	$ 776,500	$ -	$ 2,510,536	$ 13,029,890

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Propel Nonprofits
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Propel Nonprofits, which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Propel Nonprofits' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Propel Nonprofits' internal control. Accordingly, we do not express an opinion on the effectiveness of Propel Nonprofits' internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Board of Directors
Propel Nonprofits

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Propel Nonprofits financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Propel Nonprofits' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Propel Nonprofits' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Propel Nonprofits
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Propel Nonprofits' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Propel Nonprofits' major federal programs for the year ended March 31, 2018. Propel Nonprofits' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Propel Nonprofits' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Propel Nonprofits' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Propel Nonprofits' compliance.

Board of Directors
Propel Nonprofits

Opinion on Each Major Federal Program

In our opinion, Propel Nonprofits complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

Report on Internal Control Over Compliance

Management of Propel Nonprofits is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Propel Nonprofits' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Propel Nonprofits' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2018

PROPEL NONPROFITS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Award Number	Federal CFDA Number	Federal Expenditures
U.S. TREASURY DEPARTMENT			
Community Development Financial Institutions (CDFI) Program:			
CDFI Program	161FA020729	21.020	$ 1,750,000
Total Expenditures of Federal Awards			$ 1,750,000

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Propel Nonprofits under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Propel Nonprofits, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Propel Nonprofits. The Organization did not pass any funds through to subrecipients for the year ended March 31, 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Propel Nonprofits did not charge indirect costs to its federal programs for the year ended March 31, 2018, however, when indirect costs are charged Propel Nonprofits has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PROPEL NONPROFITS
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2018

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ______ yes ___x___ no

   - Significant deficiency(ies) identified? ______ yes ___x___ none reported

3. Noncompliance material to financial statements noted? ______ yes ___x___ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ______ yes ___x___ no

   - Significant deficiency(ies) identified? ______ yes ___x___ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes ___x___ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
21.020	Community Development Financial Institutions (CDFI) Fund

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $750,000; Type B - $300,000

Auditee qualified as low-risk auditee? __________ yes _____x_____ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).