BESTPREP
BROOKLYN PARK, MINNESOTA

FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

SMITH • SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

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TABLE OF CONTENTS

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Members of American Institute of CPA's,
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BestPrep
Brooklyn Park, Minnesota

We have audited the accompanying financial statements of BestPrep (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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.

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Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of BestPrep as of August 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The 2016 financial statements of BestPrep were audited by Blanski Peter Kronlage & Zoch, P.A., who merged with Smith Schafer & Associates, Ltd. as of January 1, 2017, and whose report dated November 2, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
November 28, 2017

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STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	**$ 780,813**	$ 662,335
Certificate of deposit (Note 2)	**100,000**	-
Contributions and fees receivable	**173,079**	166,245
Prepaid expenses	**34,180**	25,279
Total Current Assets	**1,088,072**	853,859
Furniture, Equipment and Computer Software		
Furniture, equipment and computer software	**85,442**	78,948
Less: Accumulated depreciation	**76,807**	64,263
Furniture, Equipment and Computer Software, net	**8,635**	14,685
Other Asset		
Long-term contributions receivable	**111,334**	154,000
TOTAL ASSETS	**$ 1,208,041**	$ 1,022,544
LIABILITIES AND NET ASSETS		
Current Liabilities		
Obligation under line of credit agreement (Note 3)	**$ -**	$ -
Accounts payable	**18,015**	17,756
Accrued expenses	**45,835**	45,583
Deferred revenues	**149,981**	8,750
Total Current Liabilities	**213,831**	72,089
Net Assets		
Unrestricted	**542,970**	464,155
Temporarily restricted (Note 4)	**451,240**	486,300
Total Net Assets	**994,210**	950,455
TOTAL LIABILITIES AND NET ASSETS	**$ 1,208,041**	$ 1,022,544

See Notes to Financial Statements

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2017
With Comparative Totals for the Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Totals 2017	Totals 2016
Support and Revenues				
Contributions	$ 1,231,550	$ 106,940	$ 1,338,490	$ 1,536,730
Sponsorships, workshops and other revenue	119,669	-	119,669	116,861
In-kind contributions	25,152	-	25,152	21,209
Teacher / student fees	46,635	-	46,635	48,875
Special events, net direct costs of $113,477 and $306,550 for 2017 and 2016, respectively	74,429	-	74,429	221,674
Interest income	2,854	-	2,854	2,303
Net Assets Released From Restrictions	142,000	(142,000)	-	-
Total Support and Revenues	1,642,289	(35,060)	1,607,229	1,947,652
Functional Expenses				
Program services	1,282,709	-	1,282,709	1,229,183
Management and general	116,760	-	116,760	97,490
Fundraising	164,005	-	164,005	188,937
Total Functional Expenses	1,563,474	-	1,563,474	1,515,610
Increase (Decrease) in Net Assets	78,815	(35,060)	43,755	432,042
NET ASSETS, BEGINNING OF YEAR	464,155	486,300	950,455	518,413
NET ASSETS, END OF YEAR	$ 542,970	$ 451,240	$ 994,210	$ 950,455

See Notes to Financial Statements

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STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2017
With Comparative Totals for the Year Ended August 31, 2016

	Program Services					
	Classroom Plus	eMentors	Financial Matters	Minnesota Business Venture	Stock Market Game™	Technology Integration Workshop
Salaries and wages	$ 61,417	$ 289,824	$ 64,140	$ 212,760	$ 53,726	$ 35,963
Payroll taxes	4,200	19,822	4,387	14,551	3,674	2,460
Employee fringe benefits	4,496	18,139	4,679	18,013	3,678	1,814
Auto, travel and entertainment	2,196	11,954	2,751	11,543	3,133	937
Campus expenses	-	-	-	121,340	-	34,298
Depreciation	976	4,565	1,028	2,832	815	427
Equipment maintenance	406	1,118	427	1,177	339	177
In-kind expenses	884	15,625	931	4,868	737	386
Insurance	584	1,609	615	1,694	487	255
Loss on disposal of furniture, equipment and computer software	-	-	-	-	-	-
Magazines, brochures and videos	481	1,325	506	2,699	3,676	2,172
Meetings	971	2,675	1,748	2,816	810	424
Miscellaneous	396	1,090	417	4,153	330	523
Office occupancy	5,245	14,450	5,523	15,214	4,377	2,292
Postage	1,211	1,063	406	3,085	1,404	1,396
Professional services	302	51,153	318	7,042	1,472	132
Relocation expense	-	-	-	-	-	-
SMG National Fees	-	-	-	-	24,905	-
Staff development and promotions	380	1,117	907	987	746	170
Stationary and supplies	800	3,277	839	2,342	616	422
Technology	3,512	13,815	3,698	10,187	2,931	1,535
Telephone	1,134	4,396	1,194	3,290	946	496
T-shirts and awards	-	-	-	2,604	3,269	40
TOTAL FUNCTIONAL EXPENSES	$ 89,591	$ 457,017	$ 94,514	$ 443,197	$ 112,071	$ 86,319

See Notes to Financial Statements

Total Program Services	Management and General	Fundraising	Totals 2017	Totals 2016
$ 717,830	$ 67,923	$ 119,924	**$ 905,677**	$ 886,054
49,094	4,666	8,202	**61,962**	59,642
50,819	6,926	12,644	**70,389**	69,040
32,514	3,186	1,714	**37,414**	40,425
155,638	-	-	**155,638**	137,046
10,643	776	1,125	**12,544**	12,877
3,644	323	468	**4,435**	7,359
23,431	702	1,018	**25,151**	21,212
5,244	464	673	**6,381**	7,252
-	-	-	**-**	526
10,859	382	554	**11,795**	14,099
9,444	772	1,119	**11,335**	11,419
6,909	314	456	**7,679**	3,788
47,101	4,168	6,044	**57,313**	51,491
8,565	690	1,147	**10,402**	7,914
60,419	20,386	349	**81,154**	74,678
-	-	-	**-**	8,058
24,905	-	-	**24,905**	20,945
4,307	654	776	**5,737**	15,933
8,296	587	2,438	**11,321**	17,677
35,678	2,940	4,047	**42,665**	29,774
11,456	901	1,307	**13,664**	13,796
5,913	-	-	**5,913**	4,605
$ 1,282,709	$ 116,760	$ 164,005	**$ 1,563,474**	$ 1,515,610

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STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Increase in net assets	**$ 43,755**	$ 432,042
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	**12,544**	12,877
Loss on disposal of furniture, equipment and computer software	**-**	526
(Increase) Decrease in:		
Contributions and fees receivable	**35,832**	(250,502)
Prepaid expenses	**(8,901)**	19,898
Increase (Decrease) in:		
Accounts payable	**259**	8,424
Accrued expenses	**252**	1,121
Deferred revenues	**141,231**	(233,325)
Net Cash Provided By (Used In) Operating Activities	**224,972**	(8,939)
Cash Flows From Investing Activities		
Purchase of certificate of deposit	**(100,000)**	-
Expenditures for furniture, equipment and computer software	**(6,494)**	(12,919)
Net Cash Used In Investing Activities	**(106,494)**	(12,919)
Net Increase (Decrease) in Cash and Cash Equivalents	**118,478**	(21,858)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**662,335**	684,193
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 780,813**	$ 662,335

See Notes to Financial Statements

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1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization and Program Services

BestPrep (The Organization) is a statewide nonprofit that serves more than 62,000 students and teachers in grades 4-12 annually. Each year, BestPrep creates connections between the education and business communities by engaging more than 4,600 volunteers which represents over 65,000 volunteer hours. These individuals conduct presentations in classrooms, serve as faculty-in-residence, email mentor students, and are leaders on committees and the board of directors.

Classroom Plus inspires students to create a vision for their future through career exploration with speakers in the classroom, career days at corporate sites, and mock interviews. Interactive presentation topics include leadership, teamwork, and interview skills. 16,150 students were served during the 2016-2017 school year.

eMentors prepare students with the knowledge and skills needed for a career in the professional world. Students increase their knowledge of career options while writing their mentor and through the one-time on-site visit to the mentor's company. The program helps students learn career skills including writing and communication skills by practicing professional email communication. More than 4,800 students were mentored during the 2016-2017 school year.

Financial Matters motivates students to make sound money management decisions and become financially savvy. Industry professionals deliver presentations focused on financial topics to students in the classroom. Presentation topics include money, budgeting, credit, investing, tax, and insurance. 16,371 students participated during the 2016-2017 school year.

Minnesota Business Venture ignites students' passion to achieve success and develop career aspirations for the future through a week-long business and career development camp held on a college campus. The program brings together approximately 350 high school students from across the state to work with business leaders and learn about career paths and financial literacy. In 2017, 39% of the students attending qualified for free/reduced lunch and 63% were students of color.

The Stock Market Game™ teaches students about economics, investing, and the importance of a long-term savings strategy. Student teams invest a hypothetical $100,000 in common stocks, bonds, and mutual funds over a 14-week period. The Stock Market Game is a national program administered by the Securities Industry and Financial Markets Association (SIFMA). 16,193 students participated during the 2016-2017 school year.

The Technology Integration Workshop empowers educators with technology tools and business exposure during a four-day summer professional development opportunity. Attendees use new technology tools to update their curriculum. Unit plans are shared with educators across Minnesota on BestPrep's website. Teachers also participate in a corporate job shadow to better prepare their students with the skills needed in today's workplace. In 2017, 61 educators participated.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets as of August 31, 2017 and 2016.

Basis of Accounting and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting. All income and expenses are recorded as they are earned or incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions and Fees Receivable

The Organization records contributions receivable when an unconditional commitment to contribute has been made by a donor. Such contributions increase unrestricted or temporarily restricted contributions. Contributions deemed not to be collectible are not recorded. Balances that are still outstanding after management has used reasonable collection efforts are written off. Current contributions and fees receivable are expected to be collected within one year of the statement of financial position date. Long-term contributions receivable are expected to be collected from one to five years after the statement of financial position date.

Furniture, Equipment and Computer Software

Furniture, equipment and computer software is carried at the lower of cost or fair value at the time of donation (for in-kind contributions of equipment) and is being depreciated using the straight-line method over the estimated useful lives, generally three years. The Organization's policy is to capitalize and depreciate furniture, equipment and computer software which has a cost in excess of $500 and an estimated useful life of at least one year.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Supplies and Services Donated In-Kind

Donated supplies and services are recorded as in-kind contributions at their estimated fair value on the date received. The value of the contribution of supplies and services is recognized as both revenue and an expense to the Organization. The Organization recognized $25,152 and $21,209 of donated supplies and services for the years ended August 31, 2017 and 2016, respectively.

The Organization recognized the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fundraising campaigns, but which do not meet the criteria for financial statement recognition.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. See Note 2 for discussion of fair value regarding the Organization's certificates of deposit.

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization keeps its cash and cash equivalents with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. As of August 31, 2017 and 2016, there were no cash balances in excess of the federally insured limit.

Management routinely assesses the financial strength of its customers and donors and as a consequence, believes that receivables credit risk exposure is limited.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total, but not net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the presentation used in the 2017 financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 28, 2017, the date the financial statements were available to be issued.

2. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at

Certificates of deposit: Certificates of deposit are reported at fair value based on the quoted market price of the certificates or similar assets, by the Organization's financial institutions.

The methods previously described may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table reflects the Organization's investments within the fair value hierarchy at August 31, 2017.

	As of August 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit				
Maturity date 6/14/2018	$ 100,000	$ -	$ 100,000	$ -

3. Line of Credit Agreement

The Organization has a line of credit agreement with its bank, which allows for borrowings up to $200,000. The line, which matures on January 5, 2018, bears interest at a variable rate of 2.0% over the bank's prime rate (4.25% as of August 31, 2017), but never less than 5.0%. The note is secured by substantially all of the Organization's assets. There were no outstanding draws against the line as of August 31, 2017 and 2016. The Organization was in compliance with all covenants as of August 31, 2017.

4. Net Assets

Temporarily restricted net assets as of August 31, 2017 and 2016 consisted of the following:

	2017	2016
Time restricted	**$ 334,000**	$ 372,000
Student scholarships	**86,300**	86,300
Program development and expansion	**30,940**	28,000
Total Temporarily Restricted Net Assets	**$ 451,240**	$ 486,300

5. Commitments

The Organization leases office space, an automobile and certain equipment under lease agreements accounted for as operating leases. The terms of the leases call for total monthly payments of approximately $3,900 with expirations ranging from August 2018 to November 2022. The office space lease also requires the Organization to pay its share of real estate taxes and operating costs. Rent expense under the office lease was approximately $36,400 and $28,100 for the years ended August 31, 2017 and 2016, respectively. Other rent expense under the leases was approximately $10,500 and $12,200 for the years ended August 31, 2017 and 2016, respectively.

The Organization's minimum rental commitments under these operating leases as of August 31, 2017 were as follows:

Year Ending August 31,	Totals
2018	$ 49,746
2019	46,152
2020	46,080
2021	30,109
Thereafter	903
Total	$ 172,990

6. Special Events

Special events revenue consisted of two major events in the year ended August 31, 2017 and three major events in the year ended August 31, 2016. The Organization sponsors a large educational forum event every other year. The effect on the financial statements during 2017 (a non-event year) is an increase in prepaid expenses and deferred revenue of approximately $15,000 and $143,000, respectively, as well as a decrease in special events gross revenue and cost of benefit to donors.