

**Iowa Center for Economic Success**

**Financial Statements  
(With Independent Auditor's Report Thereon)**

**June 30, 2020 and 2019**

**Iowa Center for Economic Success**

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To the Board of Directors of  
Iowa Center for Economic Success

We have audited the accompanying financial statements of Iowa Center for Economic Success (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Center for Economic Success as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pittman & Company, LLP  
January 15, 2021

**Iowa Center for Economic Success**  
**Statement of Financial Position**  
**June 30, 2020 and 2019**

Assets	2020	2019
<b>Current Assets</b>		
Cash & cash equivalents		
Cash - operating	\$ 389,377	\$ 181,776
Cash - board designated	73,510	73,481
Monies held in trust	941,130	-
Total cash & cash equivalents	<u>1,404,017</u>	<u>255,257</u>
Investments	25,842	25,594
Accounts receivable, net	341,855	123,372
Loans receivable, net	39,297	49,308
Prepaid expenses	1,660	2,913
Prepaid deposits	-	2,161
Total Current Assets	<u>1,812,671</u>	<u>458,605</u>
<b>Property &amp; Equipment</b>		
Furniture & equipment	86,748	53,557
Intangible assets	26,100	11,100
Accumulated depreciation & amortization	(39,169)	(28,284)
Total Property & Equipment	<u>73,679</u>	<u>36,373</u>
Total Assets	<u>\$ 1,886,350</u>	<u>\$ 494,978</u>
<b>Liabilities &amp; Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 98,656	\$ 76,403
Accrued expenses	7,955	13,946
Deferred income	22,466	29,309
Grant funds held in trust	941,130	-
Other Liabilities	27,400	-
Total Current Liabilities	<u>1,097,607</u>	<u>119,658</u>
Total Liabilities	<u>1,097,607</u>	<u>119,658</u>
<b>Net Assets</b>		
Without donor restrictions	788,743	375,320
Total Net Assets	<u>788,743</u>	<u>375,320</u>
Total Liabilities & Net Assets	<u>\$ 1,886,350</u>	<u>\$ 494,978</u>

See accompanying notes to the financial statements.

**Iowa Center for Economic Success**  
**Statement of Activities**  
For the Years Ended June 30, 2020 and 2019

	2020	2019
Revenue & Support		
Grants	\$ 527,649	\$ 590,877
Gifts & contributions	654,159	114,088
Program revenue	21,471	48,472
Contract income	283,794	229,748
Interest income	2,034	1,396
Investment return	497	1,362
Miscellaneous	100	358
Total Revenue & Support	1,489,704	986,301
Expenses		
Program services	931,981	807,519
General & administrative	131,182	141,740
Fundraising costs	13,118	14,409
Total Expenses	1,076,281	963,668
Change in Net Assets	413,423	22,633
Net Assets - Beginning	375,320	352,687
Net Assets - Ending	\$ 788,743	\$ 375,320

See accompanying notes to the financial statements.

**Iowa Center for Economic Success**  
Statement of Functional Expenses  
For the Years Ended June 30, 2020 and 2019

	2020			2019			
	Program Services	General & Administrative	Fundraising Costs	Program Services	General & Administrative	Fundraising Costs	Total
Salaries & contract personnel	\$ 443,835	\$ 79,731	\$ 7,973	\$ 408,438	\$ 91,629	\$ 9,163	\$ 509,230
Payroll tax & employee benefits	105,954	19,034	1,903	98,643	25,293	2,529	126,465
Professional services	84,886	15,249	1,525	12,514	3,209	321	16,044
Travel & mileage reimbursements	6,803	-	-	9,581	-	-	9,581
Occupancy & equipment rental	41,483	7,452	745	27,116	6,953	695	34,764
Office	34,555	6,207	621	32,787	9,244	841	42,872
Depreciation	7,954	1,429	143	5,373	2,303	-	7,676
Amortization	1,136	204	20	-	88	793	881
Program Costs	194,933	-	-	211,076	-	-	211,076
Other	10,443	1,876	188	1,991	3,021	67	5,079
<b>Total</b>	<b>\$ 931,981</b>	<b>\$ 131,182</b>	<b>\$ 13,118</b>	<b>\$ 807,519</b>	<b>\$ 141,740</b>	<b>\$ 14,409</b>	<b>\$ 963,668</b>

See accompanying notes to the financial statements.

**Iowa Center for Economic Success**  
**Statement of Cash Flow**  
For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 413,423	\$ 22,633
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,525	7,675
Amortization	1,360	881
Unrealized gain (loss) on investments	569	(671)
Realized gain (loss) on investments	(130)	127
(Increase)/Decrease in accounts receivable	(218,484)	38,373
(Increase)/Decrease in loans outstanding	10,011	(6,654)
(Increase)/Decrease in prepaid expenses	3,414	53
Increase/(Decrease) in accounts payable	22,253	12,333
Increase/(Decrease) in other current liabilities	941,130	-
Increase/(Decrease) in accrued expenses	(5,991)	7,481
Increase/(Decrease) in deferred income	(6,843)	(13,062)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>1,170,237</b>	<b>69,169</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of investments	(686)	(568)
Purchase of property & Equipment	(48,191)	(3,661)
Proceeds from sale of investments	-	-
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>(48,877)</b>	<b>(4,229)</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from PPP loan	27,400	-
<b>Net Cash Provided/(Used) by Financing Activities</b>	<b>27,400</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>1,148,760</b>	<b>64,940</b>
Cash & Cash Equivalents - Beginning	255,257	190,317
<b>Cash &amp; Cash Equivalents - Ending</b>	<b>\$ 1,404,017</b>	<b>\$ 255,257</b>
<b>Supplemental Disclosures</b>		
Interest paid	-	-

See accompanying notes to the financial statements.

**Iowa Center for Economic Success**  
**Notes to the Financial Statements**  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies**

Nature of the Organization

Iowa Center for Economic Success' (Iowa Center) mission is to empower Iowans with the potential to succeed as they pursue opportunities for financial success. The Iowa Center's economic development programs provide direct services to individuals to assist them in supporting themselves and their families. They do this primarily through investment or ownership of small or scalable businesses. Specific programs include:

- Lending and investing – the Iowa Center manages the Targeted Small Business (TSB) Microloan portfolio for the State of Iowa. They disburse small business loans between \$5,000 and \$50,000 to qualified women, minorities, people with disabilities, and disabled service veterans.
- FIN Capital is a network of female accredited Iowan investors who intend to grow their wealth through Angel Investing. The Iowa Center manages the network, recruiting members and bringing deals in front of them for investment consideration. River Glen Private Capital manages any investments.
- Education and resources – the Women's Business Center (WBC) provides education, networking, coaching, and mentoring for women and men who wish to start or grow a small or scalable business.
- Our Free Tax Prep and Planning program partners with 25 organizations around the state to provide free tax prep and planning for low to moderate income Iowans during the tax season. At the Iowa Center, the service is provided year-round.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting principles appropriate for not-for-profit entities. The accrual basis of accounting is used by the Organization. Under this method, revenue is recognized in the period earned and expenses are recognized in the period incurred.

Financial statement presentation follows the guidelines set forth by the Financial Accounting Standards Board (FASB) in *Not-for-Profit Entities – Presentation of Financial Statements*. As part of the FASB guidelines, The Fund is required to report information regarding its financial position and activities according to two classes of net assets:

- With donor restrictions – assets that are required to be used in a later period or after a specified date (time restrictions), or that are required to be used for a specific purpose (purpose restriction), or both.
- Without donor restrictions – assets without any donor-imposed restrictions; although, a portion of these assets may have self-imposed limits (board-designated net assets).



**Iowa Center for Economic Success**  
**Notes to the Financial Statements**  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies (continued)**

Liquidity

The Iowa Center's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash & cash equivalents	\$	462,887
Endowment fund		25,842
Accounts receivable, net		341,855
	<u>\$</u>	<u>830,584</u>

Cash and cash equivalents are considered to be investments and other assets that can be converted to cash within three months. Of the cash and cash equivalents \$1,053,103 and \$0 exceeded federally insured limits as of June 30, 2020 and 2019, respectively.

Investments

Investments in marketable securities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1). Generally, all investment income, including realized and unrealized gains and losses, are unrestricted and available for any purpose.

Accounts Receivable

Accounts receivable is recorded at the amount the Iowa Center expects to collect on the balances outstanding at year-end. An allowance for doubtful accounts is recorded when accounts are deemed uncollectible. Management considers all accounts to be fully collectible; therefore, an allowance for doubtful accounts has not been recorded. Receivables are written off when they are determined to be uncollectible.

Loans Receivable

The Iowa Center has a loan portfolio through an initiative supported by Sam's Club and the Accion Microlending Institute. Loans from \$1,000 to \$20,000 are disbursed based on The Iowa Center's discretion for starting or expanding small business in Iowa. Loans receivable is recorded at the amount the Iowa Center expects to collect on the balances outstanding at year-end. Management considers all loans to be fully collectible.

Fixed Assets

The capitalization limit for the Iowa Center is \$2,500. Property and equipment is valued at cost and depreciated using the straight-line method over the estimated useful lives, as follows:

Furniture & Equipment	5 – 7 Years
Intangible Assets	3 – 15 Years
Leasehold Improvements	15 Years

Property and equipment contributed to the Iowa Center is recorded at the fair market value on the date of the contribution. Maintenance costs are expensed when incurred.

**Iowa Center for Economic Success**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 1. The Organization and its Significant Accounting Policies (continued)**

Revenue Recognition

Revenue is recognized when earned. All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time of an unconditional promise to give or transfer of assets is made. Revenues from contracts and grants are recognized at estimated realizable amounts as services are performed. A majority of the contracts and grants provide for billings based upon actual costs incurred and allocated costs for administration. Certain contracts provide for fixed payments in advance or scheduled payments. Payments which exceed earned revenues are presented as a liability on the statement of financial position. The Iowa Center recognizes revenue and an equal expense when it disburses funds for matching grants. Service revenue for administering the program is recognized as the services are performed.

Allocation of Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Iowa Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. No unrelated business income was earned by the Organization. Further, The Iowa Center has been classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

The Organization has adopted the provisions of FASB ASC 740-10, which requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions. The Organization is no longer subject to examinations by federal or state authorities for years ending before June 30, 2016 nor has the Organization been notified of any impending examinations and no examinations are currently in process.

**Iowa Center for Economic Success**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 2. Fair Value Measurements**

The Organization has adopted the provisions of the FASB *Fair Value Measurement* topic, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Professional 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 level 1 inputs and the lowest priority to level 3 inputs. The three levels of the hierarchy are described as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2020:

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	\$ 25,842	\$ 25,842	\$ -	\$ -

The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	\$ 25,594	\$ 25,594	\$ -	\$ -

**Note 3. Investments**

The following schedule summarizes the investment return for the year ended June 30, 2020:

Interest & dividend income	\$ 936
Unrealized loss on investments	(569)
Realized gain on investments	130
Total Investment Return	\$ 497

**Iowa Center for Economic Success**  
Notes to the Financial Statements  
For the Years Ended June 30, 2020 and 2019

**Note 3. Investments (continued)**

The following schedule summarizes the investment return for the year ended June 30, 2019:

Interest & dividend income	\$	818
Unrealized gain on investments		671
Realized loss on investments		<u>(127)</u>
Total Investment Return	\$	<u>1,362</u>

**Note 4. Risks and Uncertainties**

The Organization makes investments as described in Note 3 to the financial statements. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the value of investments reported on the statement of financial position.

**Note 5. Retirement Plan**

The Iowa Center provides retirement benefits to permanent employees working at least 16 hours per week under tax deferred 403(b) arrangements. The Iowa Center makes discretionary contributions totaling 3% of eligible compensation. Contributions totaled \$18,531 and \$13,489 for the years ended June 30, 2020 and 2019, respectively.

**Note 6. Board Designated Funds**

Board designated funds are funds that the Board of Directors has designated to be used for accounting and planning purposes. The total board designated funds totaled \$73,510 and \$73,481 for the years ended June 30, 2020 and 2019, respectively.

**Note 7. Economic Dependency**

The Iowa Center is economically dependent upon continued funding of grants from federal, state and local governments, as well as private sources, including corporations, foundations, and non-profit organizations.

**Note 8. Paycheck Protection Program Loan**

The Iowa Center received a loan from the Small Business Administration (SBA) as part of the SBA's Paycheck Protection Program (PPP) in the amount of \$27,400. Funds received from the PPP loan are forgivable if used for business-related purposes as specified in the loan application and consistent with the PPP Rule. Management expects 100% of the loan to be forgiven. The funds received from the loan have been recorded as a liability and will be recognized as revenue if/when forgiven.

**Iowa Center for Economic Success**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**Property & Equipment**

Components of property and equipment at June 30, 2020 and 2019 are as follows:

Furniture & Equipment	\$	66,146
Intangible Assets		26,100
Leasehold Improvements		20,602
Accumulated Depreciation & Amortization		<u>(39,169)</u>
Total Property & Equipment, Net	\$	<u>73,679</u>

The Iowa Center had \$9,525 and \$7,675 of depreciation expense for the years ended June 30, 2020 and 2019, respectively, and \$1,360 and \$881 of amortization expense for the years ended June 30, 2020 and 2019, respectively.

**Note 9. Lease Agreements**

The Iowa Center rents office space in Des Moines, Iowa under a lease through January 31, 2020, that requires monthly payments of \$2,019 through October 31, 2019 and \$2,500 through January 31, 2020. The Iowa Center entered into a new lease beginning February 1, 2020 for a period of ten years, requiring a monthly payment of \$3,660. Rent expense totaled \$36,433 and \$24,225 for the years ended June 30, 2020 and 2019, respectively.

The Iowa Center entered into an office equipment and maintenance lease beginning October 1, 2017 for a period of five years, requiring a monthly payment of \$152. Office equipment lease expenses was \$1,971 and \$1,951 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease commitments for office space, equipment, and equipment maintenance will be:

Year	Amount
2021	\$ 45,744
2022	45,744
2023	44,376
2024	43,920
2025	<u>43,920</u>
	<u>\$ 223,704</u>

**Iowa Center for Economic Success**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**Note 10. Subsequent Events**

Management has reviewed and evaluated material subsequent events from the balance sheet date of June 30, 2020 through the financial statements issue date of January 15, 2021. All appropriate subsequent event disclosures, if any, have been made to the financial statements.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of business and people throughout the United States. Further, financial markets have recently experienced a significant decline attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional, and national economies. The extent to which the coronavirus impacts the Iowa Center's results will depend on further developments, which are highly uncertain and cannot be predicted. Accordingly, management cannot presently estimate the impact to the Iowa Center, but such an impact could have a material adverse effect on the Iowa Center's financial condition.