PROJECT MANAGEMENT INSTITUTE - MINNESOTA CHAPTER
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

PROJECT MANAGEMENT INSTITUTE - MINNESOTA CHAPTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project Management Institute - Minnesota Chapter
Minneapolis, Minnesota

We have audited the accompanying financial statements of Project Management Institute - Minnesota Chapter (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets without restrictions, 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.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Project Management Institute - Minnesota Chapter as of December 31, 2019, and the changes in its net assets without restrictions and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
July 13, 2020

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STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 786,123
Prepaid expenses	20,640
TOTAL ASSETS	$ 806,763
LIABILITIES AND NET ASSETS WITHOUT RESTRICTIONS	
Current Liabilities	
Accounts payable	$ 14,911
Deferred revenue	65,528
Total Current Liabilities	80,439
Net Assets Without Restrictions	726,324
TOTAL LIABILITIES AND NET ASSETS WITHOUT RESTRICTIONS	$ 806,763

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS WITHOUT RESTRICTIONS
For the Year Ended December 31, 2019

Revenues and Members' Support	
Events	$ 444,438
Membership dues	114,852
Sponsorships	21,030
Interest income	11
Total Revenues and Members' Support	580,331
Functional Expenses	
Program services	
Professional Development Days	330,735
Other programs	207,030
General and administrative	84,744
Member development	57,532
Total Functional Expenses	680,041
(Decrease) in Net Assets Without Restrictions	(99,710)
NET ASSETS WITHOUT RESTRICTIONS, BEGINNING OF YEAR AS RESTATED	826,034
NET ASSETS WITHOUT RESTRICTIONS, END OF YEAR	$ 726,324

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services					
	Professional Development Days	Other Programs	Totals	General & Administrative	Member Development	Totals
Professional fees	$ 90,361	$ 46,181	$ 136,542	$ 23,090	$ 7,697	**$ 167,329**
Management fees	45,995	45,995	91,990	38,329	22,998	**153,317**
Food for events	110,764	24,534	135,298	-	-	**135,298**
Facility fees	50,265	4,604	54,869	-	512	**55,381**
Travel	13,882	28,461	42,343	-	-	**42,343**
Event administration fees	-	31,883	31,883	-	-	**31,883**
Technology services	-	16,996	16,996	3,642	3,642	**24,280**
Materials	10,590	2,343	12,933	4,687	781	**18,401**
Volunteer gala	-	-	-	-	12,962	**12,962**
Printing and copying	5,780	559	6,339	1,117	186	**7,642**
Communication services	-	-	-	674	6,070	**6,744**
Website	-	-	-	6,000	-	**6,000**
Postage and delivery	1,538	1,059	2,597	2,117	353	**5,067**
Training	-	1,851	1,851	926	309	**3,086**
Scholarships and donations	-	1,837	1,837	918	306	**3,061**
Awards and gifts	1,177	-	1,177	1,161	-	**2,338**
Equipment rental	-	512	512	1,025	171	**1,708**
Advertising	-	-	-	-	1,509	**1,509**
Office supplies and expenses	383	-	383	950	-	**1,333**
Insurance	-	215	215	108	36	**359**
TOTAL FUNCTIONAL EXPENSES	$ 330,735	$ 207,030	$ 537,765	$ 84,744	$ 57,532	**$ 680,041**

See Notes to Financial Statements

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STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

Cash Flows From Operating Activities		
(Decrease) in net assets without restrictions	$	(99,710)
Adjustments to reconcile change in net assets to net cash from operations:		
(Increase) decrease in:		
Accounts receivable		1,500
Prepaid expenses		(4,890)
Increase (decrease) in:		
Accounts payable		(7,309)
Deferred revenue		(3,414)
Net (Decrease) in Cash and Cash Equivalents		(113,823)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		899,946
CASH AND CASH EQUIVALENTS, END OF YEAR	$	786,123

See Notes to Financial Statements

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1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Project Management Institute - Minnesota Chapter (the Institute) provides value to members and the community through opportunities for career development and to advocate the advancement of the project management profession and its disciplines.

Change in Accounting Principle

During 2019, the Institute adopted FASB Accounting Standards Update (ASU) No 2014-09, ASC 606, Revenue from Contracts with Customers which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance within accounting principles generally accepted in the United States of America. The core principle of the guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

The Institute adopted ASU 2014-09 with a date of initial application of January 1, 2019, using the full-retrospective method. Therefore, any comparative information has been adjusted, if necessary, when applying this new standard. The majority of the Institute's contracts do not contain variable consideration or contract modifications.

The adoption resulted in a decrease in the beginning net assets without restrictions of $61,840 as of January 1, 2019. Prior to the adoption of the standard the Institute recognized membership dues when received from National. In accordance with the new revenue guidance membership dues are recognized over the life of each members term. Accordingly, the Institute recognized a higher contract liability and lower revenue.

Had the Institute continued under legacy standards, liabilities would be decreased by $58,738, and revenues would be increased by $3,102 as of and for the year ended December 31, 2019.

The Institute does not expect the adoption of the new revenue standard to have a material impact on its net income on an ongoing basis.

Basis of Accounting and Revenues and Members' Support Recognition

The Institute maintains its books and records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Revenue is measured based on consideration specified with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Institute recognized revenue when it satisfies a performance obligation by transferring control over a service to a customer.

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

Basis of Accounting and Revenues and Members' Support Recognition (Continued)

For performance obligations related to the Institute's events and event sponsorships control transfers to the customer and revenue is recognized at a point in time when the event occurs. Performance obligations related to memberships and general sponsorships are completed throughout the year as benefits are consumed and transferred to members. The Institute's over time contracts are billed on a fixed price basis and revenue is recognized over time as the benefits are consumed. The payment terms and conditions in customer contracts require payment prior to an event or start of membership year, therefore the Institute does not have any significant financing components.

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Institute is required to report information regarding its financial position and activities, based on the existence or absence of imposed restrictions as either:

Net Assets Without Restrictions – Net assets available for use in general operations and not subject to restrictions.

Net Assets With Donor Restrictions – Net assets subject to imposed restrictions. Some imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified. Other imposed restrictions are perpetual in nature, where the restriction stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. The Institute had no net assets with donor restrictions as of December 31, 2019.

Cash and Cash Equivalents

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

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with members and sponsors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore no valuation allowance is maintained for these accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off. All accounts receivable are expected to be collected within one year of the statement of financial position date.

Income Taxes

The Institute is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. As a result, the Institute 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 Institute does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

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

Advertising Costs

The Institute expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2019 was $1,509.

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.

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

Concentration of Credit Risks

The Institute's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Institute keeps its cash with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. There were approximately $555,000 in cash balances in excess of the federally insurance limit as of December 31, 2019.

Management routinely assesses the financial strength of its members and sponsors and as a consequence, believes that accounts receivable credit risk 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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

2. Liquidity and Availability

Financial assets as of December 31, 2019, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of $786,123. As part of the Institute's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due.

None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

3. Commitments

Management Services

The Institute has entered into a management services agreement with The Harrington Company (THC) through December 31, 2020. The agreement provides for an hourly charge of $64. The Institute incurred $156,125 in fees to THC during the year ended December 31, 2019.

Consulting Services

The Institute has entered into a consulting services agreement for IT services with TrimaxSecure, through December 2020. The agreement provides for a monthly minimum fee of $1,500. The Institute paid $67,689 for consulting services under this agreement during the year ended December 31, 2019.

4. Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated on the basis of estimates of time and effort.

5. Net Assets

Prior Period Adjustment

As discussed in Note 1, the Institute implemented ASC 606 during the year ended December 31, 2019. The implementation resulted in the following restatement of net assets as of January 1, 2019:

Net assets without restrictions, as originally reported	$ 887,874
Reduction of prior year revenue due to implementation of ASC 606	61,840
Net assets without restrictions, as restated	$ 826,034

6. Revenue and Contract Balances

Revenue disaggregated by timing of satisfaction of performance obligations, for the year ended December 31, 2019 as follows:

Performance obligations satisfied at a point in time	$ 458,468
Performance obligations satisfied over time	121,852
Total	$ 580,320

Revenue from performance obligations satisfied over time consists of Institute's membership dues and general sponsorships. Revenue from performance obligations satisfied at a point in time consists of the Institute's events and event sponsorships.

Contract liabilities include funds received in advance for events or membership, which are recognized in the periods to which they relate, and consisted of the following:

	Contract Liabilities
Balance as of January 1, 2019	$ 68,942
Balance as of December 31, 2019	$ 65,528

Contract liabilities consisted of the following as of December 31, 2019:

Members' dues	$ 58,738
Events	6,790
Total Deferred Revenues	$ 65,528

7. Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through July 13, 2020, the date the financial statements were available to be issued. Subsequent to year end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. The extent and duration of the impact of COVID-19 on the Institute's operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Institute's business.