

**MINNESOTA INDEPENDENT SCHOOL FORUM**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

June 30, 2017 and 2016

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**MINNESOTA INDEPENDENT SCHOOL FORUM**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Minnesota Independent School Forum  
Saint Paul, Minnesota

We have audited the accompanying financial statements of Minnesota Independent School Forum (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 audits. We conducted our audits 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 Minnesota Independent School Forum as of June 30, 2017 and 2016, 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.

*Redpath and Company, Ltd.*  
REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

September 13, 2017

## **FINANCIAL STATEMENTS**

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

**Statement 1**

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$326,644	\$319,216
Contributions receivable	46,363	69,759
Other receivables	1,300	5,235
Prepaid expenses	14,600	17,457
Total current assets	<u>388,907</u>	<u>411,667</u>
Property and equipment:		
Furniture and equipment	28,048	28,048
Website design	12,726	5,306
Website in progress	-	9,545
Less: Accumulated depreciation	<u>(28,179)</u>	<u>(29,284)</u>
Total property and equipment	<u>12,595</u>	<u>13,615</u>
Total assets	<u><u>\$401,502</u></u>	<u><u>\$425,282</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$3,531	\$8,789
Notes payable, current portion	22,099	20,717
Accrued expenses	4,214	60
Deferred revenue	9,563	7,530
Total current liabilities	<u>39,407</u>	<u>37,096</u>
Long-term liabilities:		
Notes payable, long-term portion	<u>17,101</u>	<u>39,202</u>
Total liabilities	<u>56,508</u>	<u>76,298</u>
Net assets:		
Unrestricted	48,901	13,147
Temporarily restricted	296,093	335,837
Total net assets	<u>344,994</u>	<u>348,984</u>
Total liabilities and net assets	<u><u>\$401,502</u></u>	<u><u>\$425,282</u></u>

The accompanying notes are an integral part of these financial statements.



**MINNESOTA INDEPENDENT SCHOOL FORUM**
**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2017 and 2016

**Statement 2**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Support:						
Contributions	\$66,147	\$43,974	\$110,121	\$83,979	\$46,518	\$130,497
Grants	117,000	231,500	348,500	110,000	287,330	397,330
Sponsorships	74,350	-	74,350	84,250	-	84,250
In-kind contributions	2,700	-	2,700	2,634	-	2,634
Revenue:						
Member dues	143,175	-	143,175	151,473	-	151,473
Program income	42,945	-	42,945	44,270	-	44,270
Interest income	936	-	936	639	-	639
Other income	10	-	10	29	-	29
Net assets released from restrictions	315,218	(315,218)	-	300,732	(300,732)	-
Total revenues	<u>762,481</u>	<u>(39,744)</u>	<u>722,737</u>	<u>778,006</u>	<u>33,116</u>	<u>811,122</u>
Expenses:						
Program expenses:						
Public policy	40,322	-	40,322	35,898	-	35,898
Educational conferences	83,972	-	83,972	85,304	-	85,304
Member services	76,686	-	76,686	71,053	-	71,053
STEM	221,899	-	221,899	200,613	-	200,613
Fundraising expenses	47,585	-	47,585	47,387	-	47,387
Administrative expenses	256,263	-	256,263	263,587	-	263,587
Total expenses	<u>726,727</u>	<u>0</u>	<u>726,727</u>	<u>703,842</u>	<u>0</u>	<u>703,842</u>
Increase (decrease) in net assets	35,754	(39,744)	(3,990)	74,164	33,116	107,280
Net assets - beginning of period	<u>13,147</u>	<u>335,837</u>	<u>348,984</u>	<u>(61,017)</u>	<u>302,721</u>	<u>241,704</u>
Net assets - end of period	<u>\$48,901</u>	<u>\$296,093</u>	<u>\$344,994</u>	<u>\$13,147</u>	<u>\$335,837</u>	<u>\$348,984</u>

The accompanying notes are an integral part of these financial statements.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2017 and 2016

2017

	Program Expenses				Support Services		Total
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$16,989	\$33,074	\$53,358	\$32,761	\$38,097	\$189,735	\$364,014
Outside services	17,990	4,684	12,750	36,338	-	11,605	83,367
Equipment related	788	1,892	2,511	1,531	1,887	10,183	18,792
Rent/utility/parking	1,184	2,423	3,650	2,258	2,592	12,846	24,953
Telephone	192	309	392	276	297	1,495	2,961
Legal and accounting	-	-	-	-	-	14,106	14,106
Depreciation	-	-	-	-	-	4,201	4,201
Office and general	182	1,240	458	727	307	2,981	5,895
Postage	3	6	264	42	276	315	906
Printing	-	1,590	-	548	-	565	2,703
Meals/entertainment	101	78	106	-	1,493	-	1,778
Mileage and parking	98	235	111	36	36	742	1,258
Insurance	-	-	-	-	-	2,042	2,042
Meetings/conferences	-	38,026	2,524	5,422	-	449	46,421
Professional development	2,213	-	-	-	100	-	2,313
Dues and subscriptions	527	12	61	3,406	2,387	1,053	7,446
Advertising	55	403	501	325	113	599	1,996
Interest	-	-	-	-	-	3,346	3,346
Grants	-	-	-	138,229	-	-	138,229
<b>Total expenses</b>	<b>\$40,322</b>	<b>\$83,972</b>	<b>\$76,686</b>	<b>\$221,899</b>	<b>\$47,585</b>	<b>\$256,263</b>	<b>\$726,727</b>

The accompanying notes are an integral part of these financial statements.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2017 and 2016

2016

	Program Expenses				Support Services		Total
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$12,193	\$37,710	\$48,342	\$33,000	\$37,977	\$203,810	\$373,032
Outside services	18,985	3,500	12,545	36,000	-	469	71,499
Equipment related	554	1,599	2,345	1,447	1,830	10,441	18,216
Rent/utility/parking	849	2,609	3,340	2,280	2,673	14,321	26,072
Telephone	126	385	391	355	307	1,604	3,168
Legal and accounting	-	-	-	-	-	15,647	15,647
Depreciation	-	-	-	-	-	2,986	2,986
Office and general	91	1,437	437	811	278	3,340	6,394
Postage	2	12	337	90	292	428	1,161
Printing	-	509	-	-	-	-	509
Meals/entertainment	11	94	176	70	1,290	590	2,231
Mileage and parking	27	400	191	-	8	708	1,334
Insurance	-	-	-	-	-	1,904	1,904
Meetings/conferences	-	36,973	2,434	7,012	-	-	46,419
Professional development	2,505	-	-	69	200	20	2,794
Dues and subscriptions	500	-	-	2,570	2,357	865	6,292
Advertising	55	76	515	103	175	811	1,735
Interest	-	-	-	-	-	5,643	5,643
Grants	-	-	-	116,806	-	-	116,806
<b>Total expenses</b>	<b>\$35,898</b>	<b>\$85,304</b>	<b>\$71,053</b>	<b>\$200,613</b>	<b>\$47,387</b>	<b>\$263,587</b>	<b>\$703,842</b>

The accompanying notes are an integral part of these financial statements.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2017 and 2016

**Statement 4**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	(\$3,990)	\$107,280
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,201	2,986
Change in assets and liabilities:		
Contributions receivable	23,396	(24,898)
Prepaid expenses	2,857	(3,869)
Other receivables	3,935	(960)
Accounts payable	(5,258)	(2,848)
Accrued expenses	4,154	60
Deferred revenue	2,033	(1,306)
Net cash provided by operating activities	<u>31,328</u>	<u>76,445</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,181)</u>	<u>(10,476)</u>
Cash flows from financing activities:		
Payments on notes payable	<u>(20,719)</u>	<u>(66,309)</u>
Net increase (decrease) in cash and cash equivalents	7,428	(340)
Cash and cash equivalents - beginning of year	<u>319,216</u>	<u>319,556</u>
Cash and cash equivalents - end of year	<u><u>\$326,644</u></u>	<u><u>\$319,216</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$3,346</u></u>	<u><u>\$5,643</u></u>

The accompanying notes are an integral part of these financial statements.

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF ACTIVITIES**

Founded in 1976, the Minnesota Independent School Forum (MISF) is the largest membership organization serving independent and private schools in Minnesota. Our mission is to strengthen Minnesota's independent schools through advocacy and advancement. MISF helps inform lawmakers, policy makers, and the general public about the contributions that independent education makes to our state and society. MISF increases the sector's capacity for collective action through professional development, advocacy, research, STEM programming and resources and leadership. We build relationships with donors, funders and collaborative partners to support targeted programs. Our member schools are provided with resources, connections, education and expertise in critical disciplines common to our schools. MISF believes every student deserves and needs to benefit from its programs, services, education research, and public policy support. We raise funds and serve as the "access point" for the private and independent school community. For some we are viewed as the "district of record" for private schools related to membership and resources. We have developed strong and mature relationships with the Minnesota Department of Education as the first call for topics and issues that may have impact and effect on the nonpublic schools of Minnesota.

**B. BASIS OF PRESENTATION**

Financial statement presentation follows U.S. generally accepted accounting principles (GAAP) and are prepared on the accrual basis of accounting. GAAP establishes external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. MISF does not have any permanently restricted net assets.

**C. CONTRIBUTIONS**

MISF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Contributions receivable consist of commitments from various foundations and private donors. There is no allowance for uncollectible accounts, as management believes all contributions and grants receivable are collectible. The present value discount is immaterial and has not been recorded. Contributions are recognized as revenue in the period when an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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**D. MEMBER DUES**

Member dues are revenue provided by the member schools and is used for the operating expenses of MISF and certain direct and indirect program expenses. MISF extends credit on an unsecured basis to its member schools, all of which are private schools in the State of Minnesota. Member dues receivable are stated at unpaid balances, less an allowance for doubtful accounts of \$0 at June 30, 2017 and 2016. Losses on receivables are provided for using the allowance method, which is based upon experience and other circumstances, which may affect the ability of member schools to meet their obligations.

**E. IN-KIND CONTRIBUTIONS**

Donations of goods are recorded at their estimated fair value at the date of donation. Donated services are recognized as contributions in accordance with GAAP, if the service (a) creates or enhances nonfinancial assets or, (b) specialized skills are performed by people with those skills that would otherwise be purchased by MISF. Donated services that require a specialized skill are recorded at the value had the services been purchased.

In-kind contributions are as follows:

	<u>2017</u>	<u>2016</u>
Goods	\$1,500	\$429
Services	<u>1,200</u>	<u>2,205</u>
	<u>\$2,700</u>	<u>\$2,634</u>

**F. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, cash and cash equivalents is defined as the checking and savings accounts of MISF and short-term investments with original maturity dates of three months or less. Bank balances may exceed FDIC coverage from time-to-time through-out the year.

**G. TAX STATUS**

MISF has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. MISF has not had any material unrelated business income.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes MISF has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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**H. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. FUNCTIONAL EXPENSE ALLOCATION**

The costs of providing the various programs and 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.

**J. PROPERTY AND EQUIPMENT**

MISF capitalizes all property and equipment acquisitions in excess of \$500. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over an estimated useful life of five years. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Website design is amortized over five years using the straight-line method. Amortization expense is included with depreciation. Depreciation expense for the years ended June 30, 2017 and 2016 was \$4,201 and \$2,986, respectively.

**K. UNCOLLECTIBLE RECEIVABLES**

MISF uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. At June 30, 2017 and 2016, MISF believes all balances to be collectible; therefore, no allowance is necessary.

**L. CONDITIONAL GRANTS AWARDED**

MISF awards grants on an annual basis. Typically, a portion of each grant is not paid until the recipient has met certain conditions. Grant expense is recognized when the conditions are met. Conditional grants awarded but not recognized at June 30, 2017 and 2016 was \$36,541 and \$47,137, respectively.

**Note 2 RETIREMENT PLAN**

MISF sponsors a defined contribution salary reduction retirement plan that covers all full-time employees. The plan provides for a 6% employer contribution based on all eligible employee compensation. Pension expense for the years ended June 30, 2017 and 2016 was \$17,269 and \$17,488, respectively.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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**Note 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted as follows:

	<u>2017</u>	<u>2016</u>
Time restricted	\$22,863	\$24,259
Purpose restricted:		
STEM	255,230	263,578
Educational conferences	18,000	18,000
Advocacy	-	12,500
Member services	-	17,500
	<u>          </u>	<u>          </u>
Total	<u>\$296,093</u>	<u>\$335,837</u>

Purpose restrictions may also be restricted for time.

**Note 4 OPERATING LEASES**

MISF has an operating lease agreement for office space and storage which began on January 1, 2012 and extends through September 30, 2017. The agreement calls for monthly base rental payments of \$743, increasing yearly by 25 cents per square foot. The agreement also calls for the payment of pro rata operating expenses and real estate taxes for leased premises. Rent and utility expense for years ended June 30, 2017 and 2016 was \$19,135 and \$19,605, respectively.

MISF has an operating lease for a copier ending November 2021. The agreement calls for monthly payments of \$245. Rent expense for the copier was \$2,938 and \$2,924 for the years ended June 30, 2017 and 2016, respectively.

Minimum future rental payments under these non-cancelable operating leases are as follows:

Years Ending <u>June 30,</u>	<u>Total</u>
2018	\$5,475
2019	2,938
2020	2,938
2021	1,224



**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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**Note 5 NOTE PAYABLE**

MISF has a note payable which has been most recently modified on March 4, 2016. Terms include monthly payments of \$2,000, an interest rate of 6.50%, and maturity date of March 31, 2019. The note is secured by substantially all assets. The balance of this note payable was \$39,200 and \$59,919 at June 30, 2017 and 2016, respectively.

The future annual maturities of long-term debt are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Total</u>
2018	\$22,099
2019	<u>17,101</u>
Total	<u><u>\$39,200</u></u>

**Note 6 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 13, 2017, the date that this report was available to be issued, and concluded that there are no subsequent events that require disclosure.

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