

MINNESOTA INDEPENDENT SCHOOL FORUM

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
June 30, 2013 and 2012

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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 not-for-profit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 the 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 of 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, 2013 and 2012, 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.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.

September 10, 2013

FINANCIAL STATEMENTS

MINNESOTA INDEPENDENT SCHOOL FORUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

Statement 1

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$391,102	\$240,262
Contributions receivable	84,168	109,785
Member assessment receivable	200	3,064
Prepaid expenses	9,703	5,862
Total current assets	<u>485,173</u>	<u>358,973</u>
Property and equipment:		
Furniture and equipment	30,922	37,008
Website design	2,122	5,306
Less: accumulated depreciation	(24,729)	(35,630)
Total property and equipment	<u>8,315</u>	<u>6,684</u>
Other assets:		
Assets held for deferred compensation	<u>12,764</u>	<u>7,311</u>
Total assets	<u><u>\$506,252</u></u>	<u><u>\$372,968</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$12,486	\$3,804
Accrued expenses	150	1,747
Deferred revenue	4,010	-
Line of credit	100,000	71,000
Long-term liabilities:		
Deferred compensation payable	<u>12,764</u>	<u>7,311</u>
Total liabilities	<u>129,410</u>	<u>83,862</u>
Net assets:		
Unrestricted	57,401	5,117
Temporarily restricted	<u>319,441</u>	<u>283,989</u>
Total net assets	<u>376,842</u>	<u>289,106</u>
Total liabilities and net assets	<u><u>\$506,252</u></u>	<u><u>\$372,968</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, 2013 and 2012

Statement 2

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Support:						
Contributions	\$328,725	\$20,178	\$348,903	\$232,824	\$79,725	\$312,549
Programs	69,000	226,500	295,500	-	222,000	222,000
Sponsorships	71,228	-	71,228	52,975	-	52,975
In-kind contributions	-	105,820	105,820	-	13,764	13,764
Revenue:						
Member dues	107,356	-	107,356	88,417	-	88,417
Program income	21,707	-	21,707	12,028	-	12,028
Interest income	396	-	396	6	-	6
Other income	221	-	221	15	-	15
Net assets released from restrictions	317,046	(317,046)	-	272,047	(272,047)	-
Total revenues	<u>915,679</u>	<u>35,452</u>	<u>951,131</u>	<u>658,312</u>	<u>43,442</u>	<u>701,754</u>
Expenses:						
Program expenses:						
Public policy	60,892	-	60,892	63,608	-	63,608
Educational conferences	88,596	-	88,596	50,377	-	50,377
Member services	76,312	-	76,312	85,287	-	85,287
Communications	-	-	-	16,578	-	16,578
STEM	265,476	-	265,476	173,647	-	173,647
Fundraising expenses	99,194	-	99,194	73,406	-	73,406
Administrative expenses	272,925	-	272,925	197,456	-	197,456
Total expenses	<u>863,395</u>	<u>0</u>	<u>863,395</u>	<u>660,359</u>	<u>0</u>	<u>660,359</u>
Increase (decrease) in net assets	52,284	35,452	87,736	(2,047)	43,442	41,395
Net assets - beginning of period	<u>5,117</u>	<u>283,989</u>	<u>289,106</u>	<u>7,164</u>	<u>240,547</u>	<u>247,711</u>
Net assets - end of period	<u>\$57,401</u>	<u>\$319,441</u>	<u>\$376,842</u>	<u>\$5,117</u>	<u>\$283,989</u>	<u>\$289,106</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, 2013 and 2012

2013

	Program Expenses							Support Services			Total
	Public Policy	Educational Conferences	Member Services	Communications	STEM	Fundraising	Administration				
Expenses:											
Salary and benefits	\$34,640	\$39,151	\$65,057	\$ -	\$31,126	\$52,194	\$170,729	\$392,897			
Outside services	9,212	6,563	-	-	37,742	18,450	22,879	94,846			
Equipment related	4,289	992	1,912	-	875	2,251	10,558	20,877			
Rent/utility/parking	6,060	1,258	2,468	-	1,066	2,919	13,125	26,896			
Telephone	1,101	252	496	-	227	585	2,507	5,168			
Legal and accounting	-	-	-	-	-	-	21,904	21,904			
Depreciation	-	-	-	-	-	-	2,659	2,659			
Office and general	488	1,636	241	-	231	462	5,291	8,349			
Postage	16	217	145	-	102	762	763	2,005			
Printing	-	1,331	264	-	439	-	3,547	5,581			
Meals/entertainment	1,724	161	32	-	243	970	4,233	7,363			
Mileage and parking	156	348	1,047	-	479	582	483	3,095			
Insurance	-	-	-	-	-	-	2,925	2,925			
Meetings/conferences	350	34,856	3,528	-	5,948	-	-	44,682			
Professional development	1,856	8	41	-	66	19	228	2,218			
Dues and subscriptions	1,000	-	-	-	7,689	-	1,269	9,958			
Advertising	-	1,823	-	-	12	-	1,965	3,800			
Interest	-	-	-	-	-	-	7,233	7,233			
Grants	-	-	1,081	-	179,231	20,000	627	200,939			
Total expenses	\$60,892	\$88,596	\$76,312	\$0	\$265,476	\$99,194	\$272,925	\$863,395			

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, 2013 and 2012

2012

	Program Expenses							Support Services			Total
	Public Policy	Educational Conferences	Member Services	Communications	STEM	Fundraising	Administration				
Expenses:											
Salary and benefits	\$52,435	\$26,746	\$48,263	\$7,162	\$23,228	\$60,406	\$101,996			\$320,236	
Outside services	810	1,980	-	-	26,925	-	43,497			73,212	
Equipment related	649	331	597	383	287	2,264	10,005			14,516	
Rent/utility/parking	2,928	1,493	2,695	400	1,297	7,078	7,304			23,195	
Telephone	822	420	757	112	365	948	1,205			4,629	
Legal and accounting	-	-	-	-	-	-	14,324			14,324	
Depreciation	312	160	288	43	138	360	561			1,862	
Office and general	-	1,716	335	5,465	116	50	8,360			16,042	
Postage	27	21	20	-	55	88	682			893	
Printing	-	1,841	71	2,842	761	-	373			5,888	
Meals/entertainment	336	695	2,169	41	530	945	3,458			8,174	
Mileage and parking	688	172	282	-	147	86	2,249			3,624	
Insurance	761	388	701	104	337	876	1,351			4,518	
Meetings/conferences	-	13,914	2,147	-	5,268	-	580			21,909	
Professional development	3,340	-	-	-	-	305	(1,294)			2,351	
Dues and subscriptions	500	-	-	26	4,106	-	1,365			5,997	
Interest	-	-	-	-	-	-	1,440			1,440	
Grants	-	500	26,962	-	110,087	-	-			137,549	
Total expenses	\$63,608	\$50,377	\$85,287	\$16,578	\$173,647	\$73,406	\$197,456			\$660,359	

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, 2013 and 2012

Statement 4

	<u>2013</u>	<u>2012</u>
Cash flows (used) by operating activities:		
Change in net assets	\$87,736	\$41,395
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,659	1,862
Change in assets and liabilities:		
Contributions receivable	25,617	(60,851)
Prepaid expenses	(3,841)	1,775
Member assessment receivable	2,864	4,086
Accounts payable	8,682	3,795
Distributions payable	-	(38,827)
Accrued expenses	(1,597)	1,557
Security deposit	-	1,517
Deferred revenue	4,010	-
Net cash provided (used) by operating activities	<u>126,130</u>	<u>(43,691)</u>
Cash flows (used) from investing activities:		
Purchase of property and equipment	<u>(4,290)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from line of credit, net	<u>29,000</u>	<u>71,000</u>
Net increase in cash and cash equivalents	150,840	27,309
Cash and cash equivalents - beginning of year	<u>240,262</u>	<u>212,953</u>
Cash and cash equivalents - end of year	<u><u>\$391,102</u></u>	<u><u>\$240,262</u></u>

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Minnesota Independent School Forum (MISF) is a Minnesota not-for-profit corporation organized under the laws of the State of Minnesota. MISF is a collaborative enterprise of leaders from the civic, education, and philanthropic communities who share a common interest in providing greater educational opportunities for a diverse group of students in member schools. MISF's mission is to strengthen Minnesota's K-12 Independent Schools through advocacy and advancement. Contributions and grants are to support general operations and received for various programs by MISF and are summarized as follows:

- Public policy program – provides resources to member schools regarding legislative issues affecting private education and educates community leaders, policy makers and administrators regarding private school education issues.
- Educational conferences – conducts conferences for member schools and others in the educational community.
- Member services – provides information and assistance to the member schools of MISF.
- Communications – communicates through publications and other methods to provide information to the public about educational issues and accomplishments.
- STEM (Science, Technology, Engineering & Math) – provides equipment, conferences, and grants for math and science programs for member schools.

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. 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, 2013 and 2012

D. MEMBER DUES

A new policy was put in place July 1, 2011. Member dues are paid by the members at \$4 per student enrolled in K-12. There are no dues paid for preschool students. Member school payments are due the beginning of the fiscal year and cover the period July 1 through June 30 annually. There is a reduction in the dues amount in accordance with the time of year the school commits to membership (e.g., beginning in January of each year, membership dues are \$2 per student because the year is half over). The total enrollment number on which dues are charged is the number of students the schools report to the MN Department of Education by October 1st of the prior year. Dues are used as a source of general operating funds to pay for MISF staffing and member services.

E. DONATED GOODS

MISF records the value of donated goods in accordance with GAAP. Donations of goods are recorded at their estimated fair value at the date of donation. Donated goods have been reflected in the financial statements as contributions, administrative and program expenses. Donated goods included sports tickets for distribution to students and supplies for distribution to member schools. The estimated value of donated goods for the years ended June 30, 2013 and 2012 was \$103,393 and \$13,764, respectively.

F. DONATED SERVICES

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. The estimated value of donated services for the years ended June 30, 2013 and 2012 was \$2,427 and \$0, respectively.

G. 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.

H. 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. MISF's 2010 through 2012 tax years are open to examination by regulatory authorities.

FASB ASC 740-10 provides that 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, 2013 and 2012

I. 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.

J. 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.

K. 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 5 years using the straight-line method. Amortization expense is included with depreciation. Depreciation expense charged to operations for the years ended June 30, 2013 and 2012 was \$2,659 and \$1,862, respectively.

L. 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, 2013 and 2012, MISF believes all balances to be collectible; therefore, no allowance is necessary.

M. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to current year presentation.

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, 2013 and 2012 was \$17,369 and \$6,514, respectively.

MISF sponsors a Section 457(b) deferred compensation plan. The plan calls for 4% nonelective contributions on behalf of the president of the organization and allows for elective deferrals. Deferred compensation expense for both 2013 and 2012 was \$4,978 and \$3,734, respectively. The deferred compensation asset and offsetting liability was \$12,764 at June 30, 2013 and \$7,311 at June 30, 2012.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following:

	<u>2013</u>	<u>2012</u>
Time restricted	\$31,125	\$31,725
Purpose restricted:		
SCOPE survey	-	4,000
STEM	265,316	200,338
Educational conferences	8,000	8,000
Dreammakers	15,000	-
Distribution to schools	-	39,926
	<u> </u>	<u> </u>
Total	<u>\$319,441</u>	<u>\$283,989</u>

Purpose restrictions may also be restricted for time.

Note 4 OPERATING LEASES

On December 13, 2011, MISF renegotiated the terms of their office space lease. The new agreement began on January 1, 2012 and extends through September 30, 2017. The agreement calls for monthly base rental payments of \$693 and increasing yearly by .25 cents per square foot starting April 1, 2013. 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, 2013 and 2012 was \$19,288 and \$15,785, respectively.

In March 2012, MISF entered into an operating lease for a copier replacing the former lease. The agreement calls for monthly payments of \$208 until February 2017. Rent expense for the copiers for the fiscal years ended June 30, 2013 and 2012 was \$2,940 and \$2,988, respectively.

Minimum future rental payments under these noncancelable operating leases are as follows:

	<u>For the Year</u>	<u>Total</u>
	<u>Ended</u>	
2014	\$11,123	
2015	11,368	
2016	11,613	
2017	11,026	
2018	2,386	

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 5 FAIR VALUE MEASUREMENTS

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Assets or liabilities that are measured at fair value on a recurring basis are as follows at June 30, 2013 and 2012:

	<u>Level 2</u>	
	<u>2013</u>	<u>2012</u>
Assets held for deferred compensation	\$12,764	\$7,311
Deferred compensation payable	12,764	7,311

Both amounts are valued using the fair value of the underlying investments, which are based on quoted market prices.

Note 6 LINE OF CREDIT

MISF has \$100,000 available under a line of credit agreement with the Nonprofits Assistance Fund with a maturity date of June 30, 2013. The interest rate is 7%. The line of credit is collateralized by the assets of MISF. During 2013 and 2012, MISF paid \$7,233 and \$1,440 in interest expense due to usage of the line of credit. Amount outstanding under this line of credit, as of June 30, 2013 and 2012, was \$100,000 and \$71,000, respectively. Subsequent to June 30, 2013, the maturity date has been extended through September 2, 2014 and converted to a note payable.

Note 7 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2013, 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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