



AUDIT MANAGEMENT LETTER

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

We have audited the financial statements of Minnesota Independent School Forum (MISF) for the year ended June 30, 2019, and have issued our report thereon dated August 29, 2019.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MISF are described in Note 1 to the financial statements. During 2019, MISF implemented the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statement of Not-For-Profit Entities*. No other accounting policies were adopted and the application of existing policies has not changed during 2019. We noted no transactions entered into by MISF during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We believe the most sensitive estimate affecting the financial statements was management's estimate of the allocation of functional expenses. We evaluated the key factors and assumptions used to develop accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We believe the most sensitive disclosures affecting the financial statements are Note 2 - Liquidity and Availability and Note 7 - Change in Accounting Principle.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with MISF's staff and management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MISF's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MISF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Report on Internal Control

In planning and performing our audit of the financial statements of MISF as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered MISF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MISF's internal control. Accordingly, we do not express an opinion on the effectiveness of MISF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Comments and Recommendations

Accounting Standards on the Horizon – significant changes in GAAP began in 2019, and will continue over the next few years. We will continue to update your management team to plan for a smooth transition.

Closing

This information is intended solely for the use of Minnesota Independent School Forum's Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties.



REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

August 29, 2019

MINNESOTA INDEPENDENT SCHOOL FORUM

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2019 and 2018

- This page intentionally left blank -

MINNESOTA INDEPENDENT SCHOOL FORUM
TABLE OF CONTENTS

		<u>Page Number</u>
Independent Auditor's Report		1
FINANCIAL STATEMENTS		
Statements of Financial Position	Statement 1	4
Statements of Activities	Statement 2	5
Statements of Functional Expenses	Statement 3	6
Statements of Cash Flows	Statement 4	8
Notes to Financial Statements		9

- This page intentionally left blank -



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 7 to the financial statements, Minnesota Independent School Forum implemented the provisions of the Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Redpath and Company Ltd." with a stylized flourish at the end.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

August 29, 2019

FINANCIAL STATEMENTS

MINNESOTA INDEPENDENT SCHOOL FORUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

Statement 1

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$312,611	\$346,964
Contributions receivable	81,659	187,753
Other receivables	10,155	6,380
Prepaid expenses	10,239	13,285
Total current assets	<u>414,664</u>	<u>554,382</u>
Property and equipment:		
Furniture and equipment	22,564	22,564
Website design	12,726	12,726
Less: accumulated depreciation	(29,434)	(26,283)
Total property and equipment	<u>5,856</u>	<u>9,007</u>
Total assets	<u>\$420,520</u>	<u>\$563,389</u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$5,877	\$10,198
Deferred revenue	22,357	5,350
Total liabilities	<u>28,234</u>	<u>15,548</u>
Net assets:		
Without donor restrictions:		
Undesignated	42,062	116,450
Board designated for operating reserves	81,246	-
With donor restrictions	268,978	431,391
Total net assets	<u>392,286</u>	<u>547,841</u>
Total liabilities and net assets	<u>\$420,520</u>	<u>\$563,389</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, 2019 and 2018

Statement 2

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Support:						
Contributions	\$77,541	\$44,418	\$121,959	\$66,042	\$45,495	\$111,537
Grants	62,000	90,000	152,000	147,000	378,500	525,500
Sponsorships	81,500	-	81,500	74,500	-	74,500
In-kind contributions	2,872	-	2,872	3,232	-	3,232
Revenue:						
Member dues	154,809	-	154,809	149,962	-	149,962
Program income	32,985	-	32,985	34,652	-	34,652
Interest income	1,795	-	1,795	1,253	-	1,253
Net assets released from restrictions	296,831	(296,831)	-	288,697	(288,697)	-
Total revenues	<u>710,333</u>	<u>(162,413)</u>	<u>547,920</u>	<u>765,338</u>	<u>135,298</u>	<u>900,636</u>
Expenses:						
Program expenses:						
Public policy	48,469	-	48,469	23,037	-	23,037
Educational conferences	77,294	-	77,294	79,016	-	79,016
Member services	54,675	-	54,675	60,625	-	60,625
STEM	253,921	-	253,921	218,592	-	218,592
Fundraising expenses	42,356	-	42,356	46,792	-	46,792
Administrative expenses	226,760	-	226,760	269,727	-	269,727
Total expenses	<u>703,475</u>	<u>0</u>	<u>703,475</u>	<u>697,789</u>	<u>0</u>	<u>697,789</u>
Increase (decrease) in net assets	6,858	(162,413)	(155,555)	67,549	135,298	202,847
Net assets - beginning of year	116,450	431,391	547,841	48,901	296,093	344,994
Net assets - end of year	<u>\$123,308</u>	<u>\$268,978</u>	<u>\$392,286</u>	<u>\$116,450</u>	<u>\$431,391</u>	<u>\$547,841</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, 2019 and 2018

Statement 3
Page 1 of 2

	2019						Total
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$13,826	\$30,776	\$44,073	\$48,066	\$35,523	\$174,282	\$346,546
Outside services	31,499	4,000	-	76,244	-	36	111,779
Equipment related	794	1,812	2,508	2,600	2,005	9,722	19,441
Rent/utility/parking	1,088	2,391	3,420	3,723	2,723	14,022	27,367
Telephone	139	271	445	546	319	1,694	3,414
Legal and accounting	-	-	-	-	-	14,620	14,620
Depreciation	-	-	-	-	-	3,151	3,151
Office and general	130	1,809	700	3,116	314	1,992	8,061
Postage	4	27	241	64	288	488	1,112
Printing	-	1,039	-	587	-	1,170	2,796
Meals/entertainment	45	3	169	-	843	90	1,150
Mileage and parking	122	453	139	220	44	926	1,904
Insurance	-	-	-	-	-	1,995	1,995
Meetings/conferences	12	34,623	1,732	4,849	-	407	41,623
Professional development	746	-	500	120	109	-	1,475
Dues and subscriptions	14	(13)	60	3,640	59	1,011	4,771
Advertising	50	103	688	176	129	1,154	2,300
Grants	-	-	-	109,970	-	-	109,970
Total expenses	<u>\$48,469</u>	<u>\$77,294</u>	<u>\$54,675</u>	<u>\$253,921</u>	<u>\$42,356</u>	<u>\$226,760</u>	<u>\$703,475</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, 2019 and 2018

Statement 3
Page 2 of 2

	2018						Total
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$12,619	\$31,799	\$44,675	\$37,855	\$37,573	\$208,976	\$373,497
Outside services	5,600	5,700	300	36,900	-	4,451	52,951
Equipment related	632	1,668	2,197	1,712	1,866	10,359	18,434
Rent/utility/parking	860	2,191	3,085	2,635	2,575	14,423	25,769
Telephone	99	293	387	297	322	1,713	3,111
Legal and accounting	-	-	-	-	-	14,187	14,187
Depreciation	-	-	-	-	-	3,588	3,588
Office and general	104	2,002	602	954	327	3,200	7,189
Postage	13	18	59	53	241	375	759
Printing	-	1,569	-	529	68	603	2,769
Meals/entertainment	163	-	352	57	1,161	246	1,979
Mileage and parking	16	255	593	71	30	992	1,957
Insurance	-	-	-	-	-	2,044	2,044
Meetings/conferences	10	33,402	1,609	4,560	-	1,047	40,628
Professional development	1,874	-	750	106	150	205	3,085
Dues and subscriptions	1,000	-	-	3,567	2,332	530	7,429
Advertising	47	119	1,016	192	147	892	2,413
Interest	-	-	-	-	-	1,896	1,896
Grants	-	-	5,000	129,104	-	-	134,104
Total expenses	<u>\$23,037</u>	<u>\$79,016</u>	<u>\$60,625</u>	<u>\$218,592</u>	<u>\$46,792</u>	<u>\$269,727</u>	<u>\$697,789</u>

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, 2019 and 2018

Statement 4

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	(\$155,555)	\$202,847
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,151	3,588
Change in assets and liabilities:		
Contributions receivable	106,094	(141,390)
Prepaid expenses	3,046	1,315
Other receivables	(3,775)	(5,080)
Accounts payable	(4,321)	6,667
Accrued expenses	-	(4,214)
Deferred revenue	17,007	(4,213)
Net cash provided (used) by operating activities	<u>(34,353)</u>	<u>59,520</u>
Cash flows from financing activities:		
Payments on note payable	<u>-</u>	<u>(39,200)</u>
Net increase (decrease) in cash and cash equivalents	(34,353)	20,320
Cash and cash equivalents - beginning of year	<u>346,964</u>	<u>326,644</u>
Cash and cash equivalents - end of year	<u><u>\$312,611</u></u>	<u><u>\$346,964</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$0</u></u>	<u><u>\$1,896</u></u>

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

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

These financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), which requires MISF to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

C. CONTRIBUTIONS AND RESTRICTIONS

Contributions received are recorded as an increase in net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Accordingly, net assets of MISF and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This category includes funds that have been internally designated by MISF.

Net Assets with Donor Restrictions – net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

At June 30, 2019 and 2018, MISF had no net assets with donor restrictions that were permanent in nature.

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, 2019 and 2018

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, 2019 and 2018. 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>2019</u>	<u>2018</u>
Goods	\$1,572	\$2,032
Services	<u>1,300</u>	<u>1,200</u>
	<u><u>\$2,872</u></u>	<u><u>\$3,232</u></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, 2019 and 2018

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. MISF charges all expenses that are directly related to a program to the specific program when incurred. However, there are certain expenses that are shared or attributable to more than one program or support function. They are salaries, payroll taxes, unemployment taxes, life and health insurance, pension plan, rent and utilities, contract parking, telephone, equipment service contracts, equipment lease, computer software and services, Paypal and merchant fees and office supplies. These expenses have been allocated among the programs and supporting services benefited based on actual FTE (full time equivalent).

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, 2019 and 2018 was \$3,151 and \$3,588, respectively.

K. UNCOLLECTIBLE RECEIVABLES

MISF uses the allowance method to account for uncollectible accounts receivables. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. At June 30, 2019 and 2018, MISF believes all balances to be collectible; therefore, no allowance is necessary.

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 estimated present value discount is immaterial and has not been recorded.

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, 2019 and 2018 was \$31,656 and \$37,227, respectively.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 29, 2019, the date the financial statements were available to be issued, and concluded that there are no subsequent events that require disclosure.

Note 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are as follows:

	<u>2019</u>
Cash and cash equivalents	\$312,611
Contributions receivable	81,659
Other receivables	<u>10,155</u>
	<u><u>\$404,425</u></u>

None of MISF’s financial assests are subject to donor or contractual restrictions that make them unavaialble for general expentidutre. As part of MISF’s liquidity management plan, the Board has designated funds be set aside in an operating reserve which may be drawn upon in the event of an unanticipated liquidity need. There was \$81,246 in the operating reserve account as of June 30, 2019, which are included in the cash amount above.

Note 3 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, 2019 and 2018 was \$14,976 and \$16,473, respectively.

Note 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	\$21,659	\$21,252
Purpose restricted:		
STEM	<u>247,319</u>	<u>410,139</u>
Total	<u><u>\$268,978</u></u>	<u><u>\$431,391</u></u>

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 5 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATIONS

During fiscal year 2019, the Board had designated \$81,246 into an operating reserve account to use when appropriate and as needed to ensure the stability of the mission, programs, employment, and ongoing operations of the organization.

Note 6 OPERATING LEASES

MISF has an operating lease agreement for office space and storage which began on January 1, 2012 and has been amended to extend through September 30, 2020. The amended agreement calls for monthly base rental payments of \$795, 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, 2019 and 2018 was \$20,498 and \$19,933, 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 for each of the years ended June 30, 2019 and 2018.

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

	<u>Year Ended June 30,</u>	
	2020	\$13,512
	2021	<u>3,883</u>
Total		<u><u>\$17,395</u></u>

Note 7 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2018 MISF implemented the provisions of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these financial statements has been adjusted accordingly. Net assets as of July 1, 2017 were reclassified by category with no impact on total net assets.

- This page intentionally left blank -