

MINNESOTA INDEPENDENT SCHOOL FORUM

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2016 and 2015

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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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.

A handwritten signature in black ink that reads "Redpath and Company, Ltd." in a cursive script.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 13, 2016

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FINANCIAL STATEMENTS

MINNESOTA INDEPENDENT SCHOOL FORUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

Statement 1

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$319,216	\$319,556
Contributions receivable	69,759	44,861
Member assessment receivable	5,235	4,275
Prepaid expenses	17,457	13,588
Total current assets	<u>411,667</u>	<u>382,280</u>
Property and equipment:		
Furniture and equipment	28,048	28,468
Website design	5,306	5,306
Website in progress	9,545	-
Less: Accumulated depreciation	<u>(29,284)</u>	<u>(27,649)</u>
Total property and equipment	<u>13,615</u>	<u>6,125</u>
Other assets:		
Assets held for deferred compensation	<u>-</u>	<u>23,940</u>
Total assets	<u><u>\$425,282</u></u>	<u><u>\$412,345</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$8,789	\$11,637
Notes payable, current portion	20,717	126,228
Accrued expenses	60	-
Deferred revenue	7,530	8,836
Long-term liabilities:		
Deferred compensation payable	-	23,940
Notes payable, long-term portion	<u>39,202</u>	<u>-</u>
Total liabilities	<u>76,298</u>	<u>170,641</u>
Net assets:		
Unrestricted	13,147	(61,017)
Temporarily restricted	<u>335,837</u>	<u>302,721</u>
Total net assets	<u>348,984</u>	<u>241,704</u>
Total liabilities and net assets	<u><u>\$425,282</u></u>	<u><u>\$412,345</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, 2016 and 2015

Statement 2

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Support:						
Contributions	\$83,979	\$46,518	\$130,497	\$71,029	\$46,846	\$117,875
Grants	110,000	287,330	397,330	96,000	254,901	350,901
Sponsorships	84,250	-	84,250	87,500	-	87,500
In-kind contributions	2,634	-	2,634	14,978	-	14,978
Revenue:						
Member dues	151,473	-	151,473	125,200	-	125,200
Program income	44,270	-	44,270	31,217	-	31,217
Interest income	639	-	639	585	-	585
Other income	29	-	29	656	-	656
Net assets released from restrictions	300,732	(300,732)	-	272,005	(272,005)	-
Total revenues	<u>778,006</u>	<u>33,116</u>	<u>811,122</u>	<u>699,170</u>	<u>29,742</u>	<u>728,912</u>
Expenses:						
Program expenses:						
Public policy	35,898	-	35,898	47,767	-	47,767
Educational conferences	85,304	-	85,304	90,816	-	90,816
Member services	71,053	-	71,053	88,339	-	88,339
STEM	200,613	-	200,613	204,804	-	204,804
Fundraising expenses	47,387	-	47,387	50,737	-	50,737
Administrative expenses	263,587	-	263,587	317,595	-	317,595
Total expenses	<u>703,842</u>	<u>0</u>	<u>703,842</u>	<u>800,058</u>	<u>0</u>	<u>800,058</u>
Increase (decrease) in net assets	74,164	33,116	107,280	(100,888)	29,742	(71,146)
Net assets - beginning of period	<u>(61,017)</u>	<u>302,721</u>	<u>241,704</u>	<u>39,871</u>	<u>272,979</u>	<u>312,850</u>
Net assets - end 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>

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, 2016 and 2015

Statement 3
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	2016						
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	Total
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
Total expenses	<u>\$35,898</u>	<u>\$85,304</u>	<u>\$71,053</u>	<u>\$200,613</u>	<u>\$47,387</u>	<u>\$263,587</u>	<u>\$703,842</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, 2016 and 2015

Statement 3
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	2015						
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	Total
Expenses:							
Salary and benefits	\$39,428	\$47,034	\$76,121	\$35,862	\$44,082	\$248,982	\$491,509
Outside services	-	500	-	36,000	-	6,607	43,107
Equipment related	1,030	1,258	2,728	1,381	1,309	8,622	16,328
Rent/utility/parking	2,265	2,547	4,051	2,186	2,506	13,459	27,014
Telephone	273	331	520	235	309	1,757	3,425
Legal and accounting	-	-	-	-	-	17,727	17,727
Depreciation	-	-	-	-	-	2,955	2,955
Office and general	715	5,545	679	645	347	2,472	10,403
Postage	3	9	116	75	350	648	1,201
Printing	-	1,308	-	362	-	1,070	2,740
Meals/entertainment	316	146	425	80	1,131	525	2,623
Mileage and parking	73	514	314	651	100	784	2,436
Insurance	-	-	-	-	-	1,853	1,853
Meetings/conferences	505	30,493	2,888	8,118	-	1,185	43,189
Professional development	2,498	-	-	75	100	60	2,733
Dues and subscriptions	509	7	55	6,655	384	1,239	8,849
Advertising	152	274	442	118	119	833	1,938
Interest	-	-	-	-	-	5,125	5,125
Grants	-	850	-	112,361	-	1,692	114,903
Total expenses	<u>\$47,767</u>	<u>\$90,816</u>	<u>\$88,339</u>	<u>\$204,804</u>	<u>\$50,737</u>	<u>\$317,595</u>	<u>\$800,058</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, 2016 and 2015

Statement 4

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$107,280	(\$71,146)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,986	2,955
Change in assets and liabilities:		
Contributions receivable	(24,898)	51,442
Prepaid expenses	(3,869)	534
Member assessment receivable	(960)	(1,975)
Accounts payable	(2,848)	(15,848)
Accrued expenses	60	(150)
Deferred revenue	(1,306)	3,006
Net cash provided (used) by operating activities	<u>76,445</u>	<u>(31,182)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(10,476)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	50,000
Payments on notes payable	(66,309)	(14,713)
Net cash provided (used) by financing activities	<u>(66,309)</u>	<u>35,287</u>
Net increase (decrease) in cash and cash equivalents	(340)	4,105
Cash and cash equivalents - beginning of year	<u>319,556</u>	<u>315,451</u>
Cash and cash equivalents - end of year	<u><u>\$319,216</u></u>	<u><u>\$319,556</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$5,643</u></u>	<u><u>\$5,125</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, 2016 and 2015

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, 2016 and 2015. 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. Receivables are not considered delinquent if payment is received within 90 days.

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>2016</u>	<u>2015</u>
Goods	\$429	\$14,978
Services	<u>2,205</u>	<u>-</u>
	<u>\$2,634</u>	<u>\$14,978</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, 2016 and 2015

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 charged to operations for the years ended June 30, 2016 and 2015 was \$2,986 and \$2,955, 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, 2016 and 2015, 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, 2016 and 2015 was \$47,137 and \$34,404, 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, 2016 and 2015 was \$17,488 and \$19,787, respectively.

MISF sponsored a Section 457(b) deferred compensation plan. The plan called for 4% nonelective contributions on behalf of the former president of the organization and allowed for elective deferrals. During the year ended June 30, 2016 the plan was terminated via a complete distribution. Deferred compensation expense for 2016 and 2015 was \$0 and \$2,592, respectively. The deferred compensation asset and offsetting liability was \$0 at June 30, 2016 and \$23,940 at June 30, 2015.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following:

	<u>2016</u>	<u>2015</u>
Time restricted	\$24,259	\$44,860
Purpose restricted:		
STEM	263,578	249,861
Educational conferences	18,000	8,000
Advocacy	12,500	-
Member services	<u>17,500</u>	<u>-</u>
Total	<u><u>\$335,837</u></u>	<u><u>\$302,721</u></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, 2016 and 2015 was \$19,605 and \$19,372, respectively.

In March 2012, MISF entered into an operating lease for a copier that ended in November 2015. In December 2015, MISF entered into another operating lease for a copier ending November 2021. The original and new agreements call for monthly payments of \$208 and \$245, respectively. Rent expense for the copiers was \$2,924 and \$2,909 for the years ended June 30, 2016 and 2015, respectively.

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

<u>For the Year Ended</u>	<u>Total</u>
2017	\$12,900
2018	5,925
2019	2,938
2020	2,938
2021	1,224

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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:

	<u>Level 2</u>	
	<u>2016</u>	<u>2015</u>
Assets held for deferred compensation	\$ -	\$23,940
Deferred compensation payable	-	23,940

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

Note 6 NOTE PAYABLE

MISF has a note payable that has been modified multiple times. At June 30, 2016 terms include monthly payments of \$2,000, an interest rate of 6.50%, and maturity date of March 31, 2019. Balance of this note payable was \$59,919 and \$76,228 at June 30, 2016 and 2015, respectively.

MISF had a second note payable that had three fixed monthly payments with the final payment occurring September 30, 2015. Interest rate was 7%. Balance of this note payable was \$0 and \$50,000 at June 30, 2016 and 2015, respectively.

Both notes are/were secured by substantially all assets.

The annual maturities of long-term debt at June 30, 2016 are as follows:

<u>For the Year</u> <u>Ended</u>	<u>Total</u>
2017	\$20,717
2018	22,059
2019	17,143
Total	<u>\$59,919</u>

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 7 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2016, the date that this report was available to be issued, and concluded that there are no subsequent events that require disclosure.