

MINNESOTA INDEPENDENT SCHOOL FORUM

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2021 and 2020

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, 2021 and 2020, and 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, 2021 and 2020, 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 cursive script that reads "Redpath and Company Ltd.".

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

September 15, 2021

MINNESOTA INDEPENDENT SCHOOL FORUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

Statement 1

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$406,238	\$378,887
Contributions receivable	107,475	111,161
Accounts receivables	475	1,200
Prepaid expenses	11,166	13,019
Total current assets	<u>525,354</u>	<u>504,267</u>
Property and equipment:		
Furniture and equipment	32,060	22,564
Website design	12,726	12,726
Less: accumulated depreciation	<u>(36,607)</u>	<u>(32,166)</u>
Total property and equipment	<u>8,179</u>	<u>3,124</u>
Total assets	<u><u>\$533,533</u></u>	<u><u>\$507,391</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$8,340	\$26,066
Accrued liabilities	5,546	5,491
Refundable advances	-	39,750
Deferred revenue	3,465	3,575
Total current liabilities	<u>17,351</u>	<u>74,882</u>
Long-term liabilities:		
Note payable - PPP loan	<u>70,830</u>	<u>59,500</u>
Total liabilities	<u>88,181</u>	<u>134,382</u>
Net assets:		
Without donor restrictions:		
Undesignated	80,030	6,628
Board designated for operating reserves	150,829	114,406
With donor restrictions	<u>214,493</u>	<u>251,975</u>
Total net assets	<u>445,352</u>	<u>373,009</u>
Total liabilities and net assets	<u><u>\$533,533</u></u>	<u><u>\$507,391</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, 2021 and 2020

Statement 2

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Support:						
Contributions	\$73,284	\$43,800	\$117,084	\$71,697	\$44,822	\$116,519
Grants	117,000	135,000	252,000	110,000	307,500	417,500
Sponsorships	104,450	-	104,450	33,100	-	33,100
In-kind contributions	5,950	-	5,950	146	-	146
Revenue:						
Member dues	164,501	-	164,501	161,754	-	161,754
Program income	9,840	-	9,840	32,150	-	32,150
PPP loan forgiveness	59,925	-	59,925	-	-	-
Interest income	1,387	-	1,387	824	-	824
Net assets released from restrictions	216,282	(216,282)	-	369,325	(369,325)	-
Total revenues	<u>752,619</u>	<u>(37,482)</u>	<u>715,137</u>	<u>778,996</u>	<u>(17,003)</u>	<u>761,993</u>
Expenses:						
Program expenses:						
Public policy	43,978	-	43,978	50,340	-	50,340
Educational conferences	65,080	-	65,080	62,078	-	62,078
Member services	102,140	-	102,140	176,285	-	176,285
STEM	162,238	-	162,238	225,753	-	225,753
Fundraising expenses	37,644	-	37,644	46,380	-	46,380
Administrative expenses	231,714	-	231,714	220,434	-	220,434
Total expenses	<u>642,794</u>	<u>0</u>	<u>642,794</u>	<u>781,270</u>	<u>0</u>	<u>781,270</u>
Increase (decrease) in net assets	109,825	(37,482)	72,343	(2,274)	(17,003)	(19,277)
Net assets - beginning of year	<u>121,034</u>	<u>251,975</u>	<u>373,009</u>	<u>123,308</u>	<u>268,978</u>	<u>392,286</u>
Net assets - end of year	<u>\$230,859</u>	<u>\$214,493</u>	<u>\$445,352</u>	<u>\$121,034</u>	<u>\$251,975</u>	<u>\$373,009</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, 2021 and 2020

Statement 3
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	2021						
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	Total
Expenses:							
Salary and benefits	\$20,051	\$29,631	\$84,224	\$37,805	\$33,310	\$173,546	\$378,567
Outside services	20,480	9,225	4,000	50,738	-	10,579	95,022
Equipment related	972	1,497	4,235	2,053	1,694	8,712	19,163
Rent, utilities and parking	1,122	1,850	4,793	2,097	1,830	9,782	21,474
Telephone	179	276	755	340	299	1,545	3,394
Legal and accounting	-	-	-	-	-	15,296	15,296
Depreciation	-	-	-	-	-	4,441	4,441
Office and general	557	1,160	220	16	85	1,718	3,756
Postage	-	25	6	18	110	17	176
Printing	-	1,155	-	-	-	353	1,508
Meals and entertainment	-	12	34	-	-	5	51
Mileage and parking	74	422	449	161	122	1,040	2,268
Insurance	-	-	-	-	-	2,233	2,233
Meetings and conferences	-	19,635	-	-	-	59	19,694
Dues and subscriptions	458	57	3,065	685	55	1,192	5,512
Advertising	85	135	359	160	139	1,196	2,074
Grants	-	-	-	68,165	-	-	68,165
Total expenses	<u>\$43,978</u>	<u>\$65,080</u>	<u>\$102,140</u>	<u>\$162,238</u>	<u>\$37,644</u>	<u>\$231,714</u>	<u>\$642,794</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, 2020 and 2019

Statement 3
Page 2 of 2

	2020						
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	Total
Expenses:							
Salary and benefits	\$16,202	\$25,109	\$73,379	\$41,494	\$39,682	\$172,346	\$368,212
Outside services	31,230	1,750	1,500	60,551	-	-	95,031
Equipment related	808	1,436	3,724	2,083	2,029	8,553	18,633
Rent, utilities and parking	1,037	2,013	5,704	2,791	2,957	12,460	26,962
Telephone	141	241	693	390	397	1,622	3,484
Legal and accounting	-	-	-	-	-	14,902	14,902
Depreciation	-	-	-	-	-	2,732	2,732
Office and general	73	1,634	545	1,812	293	1,679	6,036
Postage	19	32	172	82	368	155	828
Printing	-	295	-	498	-	653	1,446
Meals and entertainment	4	-	249	23	96	10	382
Mileage and parking	33	246	768	154	22	932	2,155
Insurance	-	-	-	-	-	2,100	2,100
Meetings and conferences	-	29,168	680	4,262	-	376	34,486
Professional development	182	-	-	85	-	-	267
Dues and subscriptions	521	30	2,007	646	268	877	4,349
Advertising	90	124	1,039	249	268	1,037	2,807
Grants	-	-	85,825	110,633	-	-	196,458
Total expenses	<u>\$50,340</u>	<u>\$62,078</u>	<u>\$176,285</u>	<u>\$225,753</u>	<u>\$46,380</u>	<u>\$220,434</u>	<u>\$781,270</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, 2021 and 2020

Statement 4

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$72,343	(\$19,277)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,441	2,732
PPP loan forgiveness	(59,925)	-
Change in assets and liabilities:		
Contributions receivable	3,686	(29,502)
Accounts receivables	725	1,705
Prepaid expenses	1,853	(2,780)
Accounts payable	(17,726)	20,189
Accrued liabilities	480	5,491
Refundable advances	(39,750)	31,000
Deferred revenue	(110)	(2,782)
Net cash provided (used) by operating activities	<u>(33,983)</u>	<u>6,776</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(9,496)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from note payable - PPP loan	<u>70,830</u>	<u>59,500</u>
Net increase in cash and cash equivalents	27,351	66,276
Cash and cash equivalents - beginning of year	<u>378,887</u>	<u>312,611</u>
Cash and cash equivalents - end of year	<u><u>\$406,238</u></u>	<u><u>\$378,887</u></u>

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

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, policymakers, 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, 2021 and 2020, MISF had no net assets with donor restrictions that were permanent in nature.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

D. 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 throughout the year.

E. RECEIVABLES

MISF extends credit on an unsecured basis to its member schools, all of which are private schools in the State of Minnesota. MISF uses the allowance method to account for uncollectible accounts receivables. 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. MISF believes all balances to be collectible; therefore, no allowance is necessary.

Contributions receivable consist of commitments from various foundations and private donors. All contributions receivable are expected to be collected within one year. There is no allowance for uncollectible accounts, as management believes all contributions and grants receivable are collectible.

F. 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, 2021 and 2020 was \$4,441 and \$2,732, respectively.

G. 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.

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.

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, 2021 and 2020

I. REVENUE AND REVENUE RECOGNITION

MISF recognizes contributions and support revenue when cash or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and right of return, are not recognized until the conditions on which they depend have been substantially met.

MISF has various contributions which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when MISF has met certain performance requirements and/or has incurred expenditures in compliance with specific contract provisions. Amounts received prior to meeting certain performance requirements and/or incurring qualifying expenditures are reported as refundable advances in the statement of financial position. MISF received contributions of \$0 and \$10,500 that have not been recognized as of June 30, 2021 and 2020, respectively, with advance payments of \$0 and \$39,750 recognized in the statement of financial position as a refundable advance as of June 30, 2021 and 2020, respectively.

Member dues are exchange transactions with member schools and are used for the operating expenses of MISF and certain direct and indirect program expenses. Revenue is recognized over time, as the underlying services are provided over the membership period. Program income are exchange transactions and revenue is recognized at a point in time, when the underlying conference, seminar or event occurs. Amounts collected during registration are considered deferred until the event is held, and then recognized as revenue.

J. 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.

K. 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).

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, 2021 and 2020 was \$16,536 and \$29,015, respectively.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$406,238	\$378,887
Contributions receivable	107,475	111,161
Accounts receivables	<u>475</u>	<u>1,200</u>
	<u>\$514,188</u>	<u>\$491,248</u>

None of MISF's financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure. 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. As of June 30, 2021, and 2020, there was \$150,829 and \$114,406, respectively, in the operating reserve account. These amounts are included in the cash and cash equivalents 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, 2021 and 2020 was \$18,488 and \$17,698, respectively.

Note 4 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATIONS

As of June 30, 2021 and 2020, the Board had designated \$150,829 and \$114,406, respectively, 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 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Time restricted	\$21,725	\$50,411
Purpose restricted:		
STEM	<u>192,768</u>	<u>201,564</u>
Total	<u>\$214,493</u>	<u>\$251,975</u>

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 6 NOTE PAYABLE - PPP LOAN

On April 24, 2020 MISF received a forgivable loan for \$59,500 from the US Small Business Administration (SBA) under the Paycheck Protection Program (PPP) created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loan proceeds are to be used for payroll costs, payments on mortgage interest, rent, utilities and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs. MISF was notified by the Small Business Administration (SBA) of full forgiveness on January 6, 2021. The loan forgiveness amount was \$59,925, which was full balance of the loan plus accrued interest.

On February 10, 2021 MISF received a second draw PPP loan for \$70,830, subject to the terms noted above. While MISF anticipates the full amount of the loan to be forgiven under these terms, the loan is considered to be an outstanding liability until the SBA has granted approval for forgiveness.

The expenditures made under the PPP loan program are subject to review and audit by the SBA for six years from the date the loan was forgiven or paid in full. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

Note 7 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, 2021. The amended agreement calls for monthly base rental payments of \$836, 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, 2021 and 2020 was \$21,473 and \$21,791, respectively.

Subsequent to year end, MISF signed an operating lease agreement for office space which is to begin on September 1, 2021 and will extend through November 30, 2025. The agreement calls for monthly base rental payments of \$1,126, increasing yearly by 3%. The agreement also calls for the payment of pro rata operating expenses and real estate taxes for leased premises.

MISF had an operating lease for a copier that ended November 2020. The agreement called for monthly payments of \$245. This lease was renewed and extended through November 2023 and calls for monthly payments beginning December 2021 of \$171. Rent expense for the copier was \$2,420 and \$2,938 for the years ended June 30, 2021 and 2020, respectively.

MINNESOTA INDEPENDENT SCHOOL FORUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

Year Ended June 30,	
2022	\$12,587
2023	14,573
2024	14,083
2025	14,446
2026	<u>6,083</u>
Total	<u><u>\$61,772</u></u>

Note 8 **SUBSEQUENT EVENTS AND UNCERTAINTIES**

Subsequent to year end, MISF entered into a lease agreement for a new office space. See Note 7 for further details.

In preparing these financial statements, MISF has evaluated for recognition or disclosure the events or transactions that occurred through September 15, 2021, the date the financial statements were available to be issued.