

**MINNESOTA INDEPENDENT SCHOOL FORUM**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

September 3, 2015

## **FINANCIAL STATEMENTS**

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**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2015 and 2014

**Statement 1**

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$319,556	\$315,451
Contributions receivable	44,861	96,303
Member assessment receivable	4,275	2,300
Prepaid expenses	13,588	14,122
Total current assets	<u>382,280</u>	<u>428,176</u>
Property and equipment:		
Furniture and equipment	28,468	31,719
Website design	5,306	5,306
Less: accumulated depreciation	<u>(27,649)</u>	<u>(27,945)</u>
Total property and equipment	<u>6,125</u>	<u>9,080</u>
Other assets:		
Assets held for deferred compensation	<u>23,940</u>	<u>19,820</u>
Total assets	<u><u>\$412,345</u></u>	<u><u>\$457,076</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$11,637	\$27,485
Accrued expenses	-	150
Deferred revenue	8,836	5,830
Notes payable	126,228	90,941
Long-term liabilities:		
Deferred compensation payable	<u>23,940</u>	<u>19,820</u>
Total liabilities	<u>170,641</u>	<u>144,226</u>
Net assets:		
Unrestricted	(61,017)	39,871
Temporarily restricted	<u>302,721</u>	<u>272,979</u>
Total net assets	<u>241,704</u>	<u>312,850</u>
Total liabilities and net assets	<u><u>\$412,345</u></u>	<u><u>\$457,076</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, 2015 and 2014

**Statement 2**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Support:						
Contributions	\$71,029	\$46,846	\$117,875	\$89,076	\$48,226	\$137,302
Grants	96,000	254,901	350,901	179,000	229,500	408,500
Sponsorships	87,500	-	87,500	87,100	-	87,100
In-kind contributions	14,978	-	14,978	3,579	8,657	12,236
Revenue:						
Member dues	125,200	-	125,200	121,513	-	121,513
Program income	31,217	-	31,217	28,403	-	28,403
Interest income	585	-	585	735	-	735
Other income	656	-	656	1	-	1
Net assets released from restrictions	272,005	(272,005)	-	353,398	(353,398)	-
Total revenues	<u>699,170</u>	<u>29,742</u>	<u>728,912</u>	<u>862,805</u>	<u>(67,015)</u>	<u>795,790</u>
Expenses:						
Program expenses:						
Public policy	47,767	-	47,767	42,944	-	42,944
Educational conferences	90,816	-	90,816	104,405	-	104,405
Member services	88,339	-	88,339	113,963	-	113,963
STEM	204,804	-	204,804	231,282	-	231,282
Fundraising expenses	50,737	-	50,737	53,210	-	53,210
Administrative expenses	317,595	-	317,595	313,978	-	313,978
Total expenses	<u>800,058</u>	<u>0</u>	<u>800,058</u>	<u>859,782</u>	<u>0</u>	<u>859,782</u>
Increase (decrease) in net assets	(100,888)	29,742	(71,146)	3,023	(67,015)	(63,992)
Net assets - beginning of period	<u>39,871</u>	<u>272,979</u>	<u>312,850</u>	<u>36,848</u>	<u>339,994</u>	<u>376,842</u>
Net assets - end 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>

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, 2015 and 2014

**Statement 3**  
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	2015						Total
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
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 FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2015 and 2014

**Statement 3**  
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	2014						Total
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$32,461	\$54,306	\$79,240	\$37,458	\$46,816	\$229,292	\$479,573
Outside services	1,960	7,075	-	35,750	-	20,900	65,685
Equipment related	1,030	1,660	2,422	1,145	1,432	6,939	14,628
Rent/utility/parking	2,029	3,393	4,951	2,341	2,925	14,181	29,820
Telephone	329	550	802	379	474	2,298	4,832
Legal and accounting	-	-	-	-	-	16,272	16,272
Depreciation	-	-	-	-	-	3,215	3,215
Office and general	473	6,762	816	940	508	3,711	13,210
Postage	9	124	133	40	323	763	1,392
Printing	-	-	-	295	-	1,228	1,523
Meals/entertainment	1,448	220	481	143	340	1,639	4,271
Mileage and parking	287	680	1,468	1,347	372	316	4,470
Insurance	-	-	-	-	-	2,124	2,124
Meetings/conferences	30	29,612	3,315	8,363	-	383	41,703
Professional development	1,474	-	-	59	-	20	1,553
Dues and subscriptions	14	23	33	5,293	20	1,616	6,999
Advertising	-	-	302	-	-	791	1,093
Interest	-	-	-	-	-	8,290	8,290
Grants	1,400	-	20,000	137,729	-	-	159,129
Total expenses	<u>\$42,944</u>	<u>\$104,405</u>	<u>\$113,963</u>	<u>\$231,282</u>	<u>\$53,210</u>	<u>\$313,978</u>	<u>\$859,782</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, 2015 and 2014

**Statement 4**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	(\$71,146)	(\$63,992)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,955	3,215
Change in assets and liabilities:		
Contributions receivable	51,442	(12,135)
Prepaid expenses	534	(4,419)
Member assessment receivable	(1,975)	(2,100)
Accounts payable	(15,848)	14,999
Accrued expenses	(150)	-
Deferred revenue	3,006	1,820
Net cash provided (used) by operating activities	<u>(31,182)</u>	<u>(62,612)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(3,980)</u>
Cash flows from financing activities:		
Proceeds from notes payable	50,000	-
Payments on notes payable	(14,713)	(9,059)
Net cash provided (used) by financing activities	<u>35,287</u>	<u>(9,059)</u>
Net increase (decrease) in cash and cash equivalents	4,105	(75,651)
Cash and cash equivalents - beginning of year	<u>315,451</u>	<u>391,102</u>
Cash and cash equivalents - end of year	<u><u>\$319,556</u></u>	<u><u>\$315,451</u></u>

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

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**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.
- Math and science initiative – 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. 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, 2015 and 2014

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**D. MEMBER DUES**

Member dues are revenue provided by the member schools and is used for the operating expenses of MISF and certain direct and indirect program expenses. MISF extends credit on an unsecured basis to its member schools, all of which are private schools in the State of Minnesota. Member dues receivable are stated at unpaid balances, less an allowance for doubtful accounts of \$0 at June 30, 2015 and 2014. 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>2015</u>	<u>2014</u>
Goods	\$14,978	\$10,236
Services	-	2,000
	<u>\$14,978</u>	<u>\$12,236</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. MISF's 2012 through 2014 tax years are open to examination by regulatory authorities.

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, 2015 and 2014

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**H. USE OF ESTIMATES**

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

**I. FUNCTIONAL EXPENSE ALLOCATION**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**J. PROPERTY AND EQUIPMENT**

MISF capitalizes all property and equipment acquisitions in excess of \$500. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over an estimated useful life of five years. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Website design is amortized over five years using the straight-line method. Amortization expense is included with depreciation. Depreciation expense charged to operations for the years ended June 30, 2015 and 2014 was \$2,955 and \$3,215, 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, 2015 and 2014, MISF believes all balances to be collectible; therefore, no allowance is necessary.

**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, 2015 and 2014 was \$19,787 and \$18,779, respectively.

MISF sponsors a Section 457(b) deferred compensation plan. The plan calls for 4% nonelective contributions on behalf of the former president of the organization and allows for elective deferrals. Deferred compensation expense for 2015 and 2014 was \$2,592 and \$4,320, respectively. The deferred compensation asset and offsetting liability was \$23,940 at June 30, 2015 and \$19,820 at June 30, 2014.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

**Note 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following:

	<u>2015</u>	<u>2014</u>
Time restricted	\$44,860	\$66,313
Purpose restricted:		
STEM	249,861	198,666
Educational conferences	<u>8,000</u>	<u>8,000</u>
Total	<u>\$302,721</u>	<u>\$272,979</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, 2015 and 2014 was \$19,372 and \$19,695, respectively.

In March 2012, MISF entered into an operating lease for a copier. The agreement calls for monthly payments of \$208 until February 2017. Rent expense for the copiers was \$2,909 for the years ended June 30, 2015 and 2014.

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

	For the Year	
	<u>Ended</u>	<u>Total</u>
	2016	\$12,213
	2017	11,626
	2018	2,986

**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.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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Assets or liabilities that are measured at fair value on a recurring basis are as follows at June 30, 2015 and 2014:

	Level 2	
	2015	2014
Assets held for deferred compensation	\$23,940	\$19,820
Deferred compensation payable	23,940	19,820

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

**Note 6 NOTE PAYABLE**

In 2014, MISF had note payable with monthly payments of \$1,550, interest rate of 7%, and a maturity date of September 2, 2014. During October 2014, the terms of this note were modified to monthly payments of \$2,000, interest rate of 6.50%, and maturity date of December 31, 2015. Balance of this note payable was \$76,228 and \$90,941 at June 30, 2015 and 2014, respectively.

On June 16, 2015, MISF acquired a second note payable that has three fixed monthly payments with the final payment occurring September 30, 2015. Interest rate is 7%. Balance of this note payable was \$50,000 at June 30, 2015.

Both notes are secured by substantially all assets.

**Note 7 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 3, 2015, 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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