

**MINNESOTA INDEPENDENT SCHOOL FORUM**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.  
St. Paul, Minnesota

September 6, 2018

## **FINANCIAL STATEMENTS**

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2018 and 2017

**Statement 1**

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$346,964	\$326,644
Contributions receivable	187,753	46,363
Other receivables	6,380	1,300
Prepaid expenses	13,285	14,600
Total current assets	<u>554,382</u>	<u>388,907</u>
Property and equipment:		
Furniture and equipment	22,564	28,048
Website design	12,726	12,726
Less: Accumulated depreciation	(26,283)	(28,179)
Total property and equipment	<u>9,007</u>	<u>12,595</u>
Total assets	<u><u>\$563,389</u></u>	<u><u>\$401,502</u></u>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	\$10,198	\$3,531
Note payable, current portion	-	22,099
Accrued expenses	-	4,214
Deferred revenue	5,350	9,563
Total current liabilities	<u>15,548</u>	<u>39,407</u>
Long-term liabilities:		
Note payable, long-term portion	-	17,101
Total liabilities	<u>15,548</u>	<u>56,508</u>
Net assets:		
Unrestricted	116,450	48,901
Temporarily restricted	431,391	296,093
Total net assets	<u>547,841</u>	<u>344,994</u>
Total liabilities and net assets	<u><u>\$563,389</u></u>	<u><u>\$401,502</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, 2018 and 2017

**Statement 2**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Support:						
Contributions	\$66,042	\$45,495	\$111,537	\$66,147	\$43,974	\$110,121
Grants	147,000	378,500	525,500	117,000	231,500	348,500
Sponsorships	74,500	-	74,500	74,350	-	74,350
In-kind contributions	3,232	-	3,232	2,700	-	2,700
Revenue:						
Member dues	149,962	-	149,962	143,175	-	143,175
Program income	34,652	-	34,652	42,945	-	42,945
Interest income	1,253	-	1,253	936	-	936
Other income	-	-	-	10	-	10
Net assets released from restrictions	288,697	(288,697)	-	315,218	(315,218)	-
Total revenues	<u>765,338</u>	<u>135,298</u>	<u>900,636</u>	<u>762,481</u>	<u>(39,744)</u>	<u>722,737</u>
Expenses:						
Program expenses:						
Public policy	23,037	-	23,037	40,322	-	40,322
Educational conferences	79,016	-	79,016	83,972	-	83,972
Member services	60,625	-	60,625	76,686	-	76,686
STEM	218,592	-	218,592	221,899	-	221,899
Fundraising expenses	46,792	-	46,792	47,585	-	47,585
Administrative expenses	269,727	-	269,727	256,263	-	256,263
Total expenses	<u>697,789</u>	<u>0</u>	<u>697,789</u>	<u>726,727</u>	<u>0</u>	<u>726,727</u>
Increase (decrease) in net assets	67,549	135,298	202,847	35,754	(39,744)	(3,990)
Net assets - beginning of year	<u>48,901</u>	<u>296,093</u>	<u>344,994</u>	<u>13,147</u>	<u>335,837</u>	<u>348,984</u>
Net assets - end of year	<u>\$116,450</u>	<u>\$431,391</u>	<u>\$547,841</u>	<u>\$48,901</u>	<u>\$296,093</u>	<u>\$344,994</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, 2018 and 2017

**Statement 3**  
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	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 FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2018 and 2017

**Statement 3**  
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	2017						Total
	Program Expenses				Support Services		
	Public Policy	Educational Conferences	Member Services	STEM	Fundraising	Administration	
Expenses:							
Salary and benefits	\$16,989	\$33,074	\$53,358	\$32,761	\$38,097	\$189,735	\$364,014
Outside services	17,990	4,684	12,750	36,338	-	11,605	83,367
Equipment related	788	1,892	2,511	1,531	1,887	10,183	18,792
Rent/utility/parking	1,184	2,423	3,650	2,258	2,592	12,846	24,953
Telephone	192	309	392	276	297	1,495	2,961
Legal and accounting	-	-	-	-	-	14,106	14,106
Depreciation	-	-	-	-	-	4,201	4,201
Office and general	182	1,240	458	727	307	2,981	5,895
Postage	3	6	264	42	276	315	906
Printing	-	1,590	-	548	-	565	2,703
Meals/entertainment	101	78	106	-	1,493	-	1,778
Mileage and parking	98	235	111	36	36	742	1,258
Insurance	-	-	-	-	-	2,042	2,042
Meetings/conferences	-	38,026	2,524	5,422	-	449	46,421
Professional development	2,213	-	-	-	100	-	2,313
Dues and subscriptions	527	12	61	3,406	2,387	1,053	7,446
Advertising	55	403	501	325	113	599	1,996
Interest	-	-	-	-	-	3,346	3,346
Grants	-	-	-	138,229	-	-	138,229
Total expenses	<u>\$40,322</u>	<u>\$83,972</u>	<u>\$76,686</u>	<u>\$221,899</u>	<u>\$47,585</u>	<u>\$256,263</u>	<u>\$726,727</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, 2018 and 2017

**Statement 4**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$202,847	(\$3,990)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,588	4,201
Change in assets and liabilities:		
Contributions receivable	(141,390)	23,396
Prepaid expenses	1,315	2,857
Other receivables	(5,080)	3,935
Accounts payable	6,667	(5,258)
Accrued expenses	(4,214)	4,154
Deferred revenue	(4,213)	2,033
Net cash provided by operating activities	<u>59,520</u>	<u>31,328</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(3,181)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(39,200)</u>	<u>(20,719)</u>
Net increase in cash and cash equivalents	20,320	7,428
Cash and cash equivalents - beginning of year	<u>326,644</u>	<u>319,216</u>
Cash and cash equivalents - end of year	<u><u>\$346,964</u></u>	<u><u>\$326,644</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$1,896</u></u>	<u><u>\$3,346</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, 2018 and 2017

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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, 2018 and 2017. 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>2018</u>	<u>2017</u>
Goods	\$2,032	\$1,500
Services	<u>1,200</u>	<u>1,200</u>
	<u>\$3,232</u>	<u>\$2,700</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.

**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 for the years ended June 30, 2018 and 2017 was \$3,588 and \$4,201, 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, 2018 and 2017, 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, 2018 and 2017 was \$37,227 and \$36,541, 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, 2018 and 2017 was \$16,473 and \$17,269, respectively.

**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted as follows:

	<u>2018</u>	<u>2017</u>
Time restricted	\$21,252	\$22,863
Purpose restricted:		
STEM	410,139	255,230
Educational conferences	<u>-</u>	<u>18,000</u>
 Total	 <u>\$431,391</u>	 <u>\$296,093</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 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, 2018 and 2017 was \$19,933 and \$19,135, 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, 2018 and 2017, respectively.

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

Years Ending	
<u>June 30,</u>	<u>Total</u>
2019	\$13,267
2020	13,512
2021	3,883



**MINNESOTA INDEPENDENT SCHOOL FORUM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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**Note 5** **NOTE PAYABLE**

MISF had a note payable which had been most recently modified on March 4, 2016. Terms included monthly payments of \$2,000, an interest rate of 6.50%, and maturity date of March 31, 2019. The note was secured by substantially all assets. The remaining note payable balance was paid in full in June 2018.

**Note 6** **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 6, 2018, 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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