

East Side Learning Center
St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2014 and 2013

Carpenter *Evert*
Certified Public Accountants



CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
EXHIBIT A: Statements of Activities and Changes in Net Assets – For the Years Ended June 30, 2014 and 2013	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2014 with Comparative Totals for 2013	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30, 2013	4
EXHIBIT D: Statements of Financial Position – June 30, 2014 and 2013	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2014 and 2013	6
NOTES TO FINANCIAL STATEMENTS	7-12

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Carpenter Evert

Independent Auditor's Report

Board of Directors
East Side Learning Center
St. Paul, Minnesota

We have audited the accompanying financial statements of East Side Learning Center, which comprise the statements of financial position as of June 30, 2014 and 2013, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 East Side Learning Center as of June 30, 2014 and 2013, 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.



Certified Public Accountants

Minneapolis, Minnesota
September 11, 2014

EAST SIDE LEARNING CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014		2013		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and Revenue:					
Contributions	\$ 209,023	\$ 86,345	\$ 295,368	\$ 92,575	\$ 191,334
In-kind Contributions	267,169	-	267,169	-	354,627
Program Service Fees	15,259	-	15,259	-	11,844
Interest	713	-	713	-	1,371
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	72,500	(72,500)	-	(67,500)	-
Satisfaction of Program Restrictions	223,000	(223,000)	-	(204,999)	-
Total Support and Revenue	787,664	(209,155)	578,509	(179,924)	559,176
Expense:					
Program Services:					
Tutoring	670,979	-	670,979	-	789,923
Support Services:					
Management and General Fundraising	87,753	-	87,753	-	88,314
Total Support Services	25,456	-	25,456	-	6,364
Total Expense	113,209	-	113,209	-	94,678
	784,188	-	784,188	-	884,601
Change in Net Assets	3,476	(209,155)	(205,679)	(179,924)	(325,425)
Net Assets - Beginning of Year	388,077	520,504	908,581	700,428	1,234,006
Net Assets - End of Year	\$ 391,553	\$ 311,349	\$ 702,902	\$ 388,077	\$ 908,581

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

EAST SIDE LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014				2013	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 408,745	\$ 51,878	\$ 13,572	\$ 65,450	\$ 474,195	\$ 509,321
In-kind Salaries	156,475	19,040	10,789	29,829	186,304	222,636
In-kind Occupancy	55,187	7,525	-	7,525	62,712	62,712
Program Expense	20,973	77	-	77	21,050	46,981
Furniture & Equipment	11,618	2,160	565	2,725	14,343	1,915
Professional Fees	3,455	5,050	-	5,050	8,505	30,495
Insurance	5,775	1,074	281	1,355	7,130	5,650
Other Expenses	3,639	-	-	-	3,639	155
Printing & Copying	2,583	480	126	606	3,189	2,181
Office Supplies	1,017	189	49	238	1,255	792
Postage	712	132	35	167	879	566
Dues & Subscriptions	373	69	18	87	460	772
Travel	223	41	11	52	275	173
Depreciation	204	38	10	48	252	252
Total Expense	\$ 670,979	\$ 87,753	\$ 25,456	\$ 113,209	\$ 784,188	\$ 884,601

The accompanying Notes to Financial Statements
are an integral part of this statement.

EXHIBIT C

EAST SIDE LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2013

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Personnel Expense	\$ 449,679	\$ 53,428	\$ 6,214	\$ 59,642	\$ 509,321
In-kind Salaries	204,825	17,811	-	17,811	222,636
In-kind Occupancy	57,695	5,017	-	5,017	62,712
Program Expense	43,248	3,733	-	3,733	46,981
Furniture & Equipment	1,691	201	23	224	1,915
Professional Fees	23,460	7,035	-	7,035	30,495
Insurance	4,988	593	69	662	5,650
Other Expenses	155	-	-	-	155
Printing & Copying	1,925	229	27	256	2,181
Office Supplies	699	83	10	93	792
Postage	500	59	7	66	566
Dues & Subscriptions	682	81	9	90	772
Travel	153	18	2	20	173
Depreciation	223	26	3	29	252
Total Expense	\$ 789,923	\$ 88,314	\$ 6,364	\$ 94,678	\$ 884,601

The accompanying Notes to Financial Statements
are an integral part of this statement.

EAST SIDE LEARNING CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 417,595	\$ 416,359
Accounts Receivable	1,014	-
Prepaid Expenses	418	373
Grants Receivable - Short-term Portion	264,118	264,156
Total Current Assets	<u>683,145</u>	<u>680,888</u>
Grants Receivable - Long-term Portion	19,231	238,348
Furniture and Equipment - Net	<u>1,572</u>	<u>1,824</u>
 TOTAL ASSETS	 <u>\$ 703,948</u>	 <u>\$ 921,060</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Payroll Taxes Withheld and Accrued	\$ 1,046	\$ 8,658
Accrued Salaries and Vacation	-	3,821
Total Current Liabilities	<u>1,046</u>	<u>12,479</u>
Net Assets:		
Unrestricted	391,553	388,077
Temporarily Restricted	311,349	520,504
Total Net Assets	<u>702,902</u>	<u>908,581</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 703,948</u>	 <u>\$ 921,060</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

EAST SIDE LEARNING CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

<u>Increase (Decrease) in Cash</u>	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (205,679)	\$ (325,425)
Total Adjustments	<u>206,915</u>	<u>211,338</u>
Net Cash Provided (Used) by Operating Activities	1,236	(114,087)
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	1,236	(114,087)
Cash - Beginning of Year	<u>416,359</u>	<u>530,446</u>
Cash - End of Year	<u>\$ 417,595</u>	<u>\$ 416,359</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. Summary of Significant Accounting Policies

Organizational Purpose

East Side Learning Center (ESLC) is a year-round, non-sectarian, one-on-one tutoring program in reading. ESLC was established in 2001 as a ministry with the School Sisters of Notre Dame in partnership with the local community to address gaps in school success. Volunteer tutors along with some part-time tutors (elementary teachers) provide the one-on-one tutoring for children. All children are tutored three or four times a week for nearly an hour each session, with opportunities after school, during the day, and a summer session. Volunteer tutors are an essential part of the success of the ESLC. Licensed staff prepare individualized lesson plans for volunteer tutors to use with their students so there is systematic skilled reading instruction to fill in the gaps. The ESLC focuses on detailed lesson planning, in-depth training of volunteers, 100% commitment to one-on-one tutoring, and continuous assessment of its students to measure reading progress.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to ESLC, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as part of unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of ESLC resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied by actions of ESLC.

Accounts Receivable and Doubtful Accounts

ESLC extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and ESLC does not charge interest on accounts receivable balances. No allowance for doubtful accounts has been provided as accounts and grants receivable are considered collectable.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

Furniture and Equipment

All major expenditures for furniture improvements and equipment above \$1,000 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded as support when received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services are allocated based on the best estimates of management.

Income Tax

ESLC has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. ESLC's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. ESLC continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, ESLC annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2011 and later remain subject to examination by the Internal Revenue Service.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

ESLC has evaluated the effect that subsequent events would have on the financial statements through September 11, 2014, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

ESLC provides services within the Twin Cities area. Grants, pledges and contributions receivable are from local residents or institutions.

The Twins Cities United Way has provided operating support of \$205,000 and \$204,999 in the years ending June 30, 2014 and 2013, respectively.

3. Fair Value

ESLC adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

3. Fair Value (continued)

The following is a summary of the inputs used to determine the fair value at:

June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants Receivable	\$ -	\$ 283,349	\$ -	\$ 283,349

June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants Receivable	\$ -	\$ 502,504	\$ -	\$ 502,504

4. Grants Receivable

The balance of grants receivable at June 30, 2014 is expected to be collected over the following fiscal years:

Due in the Year Ending June 30,

2015	\$ 270,001
2016	<u>20,000</u>
Total Grants Receivable	290,001
Less Discount @ 4%	<u>6,652</u>
Net Grants Receivable	283,349
Less Current Portion	<u>264,118</u>
Long-term Portion	<u>\$ 19,231</u>

5. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>Useful Lives</u>
Furniture and Equipment	\$ 16,362	\$ 16,362	3-10 Years
Less Accumulated Depreciation	<u>14,790</u>	<u>14,538</u>	
	<u>\$ 1,572</u>	<u>\$ 1,824</u>	

Depreciation expense of \$252 was recorded for both of the years ended June 30, 2014 and 2013.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

6. Temporarily Restricted Net Assets

The purpose of temporarily restricted net assets is to account for funds received but not yet spent for the purpose intended by the donor. Temporarily restricted net assets included the following as of:

	June 30,	
	2014	2013
United Way – Tutoring	\$ 205,001	\$ 410,000
SSND – Future Years Operations	45,000	47,500
Kinney Family Foundation – Future Years Operations	40,000	65,000
Saint Paul Public Schools Foundation Academic Intervention Grant-Future Years Operations	18,000	18,000
Clear Channel Worldwide – 2014 Summer Program	10,000	-
Pledge Discount	(6,652)	(19,996)
	\$ 311,349	\$ 520,504

7. In-kind Contributions

ESLC records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	June 30,	
	2014	2013
Volunteer Tutoring Salaries at 5,053 hours @ \$24.31/hr for 2014 and 5,885 hours @ \$21.91/hr for 2013	\$ 122,838	\$ 128,940
Administrative Salaries	63,466	93,696
Rent	62,712	62,712
Books, Supplies & Equipment	14,698	43,779
Professional Services	3,455	25,500
	\$ 267,169	\$ 354,627

8. Note Payable

ESLC maintains a \$25,000, 3.25% line of credit through Bremer Bank. The line of credit is secured by equipment and expires January 11, 2015. There was no outstanding balance for the years ended June 30, 2014 and 2013, respectively.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities are as follows as of:

	June 30,	
	2014	2013
Depreciation	\$ 252	\$ 252
Long-Term Grants Receivable	219,117	193,184
Decreases (Increases) in Current Assets:		
Prepaid Expenses	(45)	683
Accounts Receivable	(1,014)	-
Grants Receivable	38	4,740
Increases (Decreases) in Current Liabilities		
Accrued Salaries and Vacation	(3,821)	3,821
Payroll Taxes Withheld and Accrued	(7,612)	8,658
Total Adjustments	\$ 206,915	\$ 211,338