

East Side Learning Center
St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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Certified Public Accountants

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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, 2016 and 2015, and the related statements of activities and changes in net assets, functional expense, 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, 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.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
September 8, 2016

EXHIBIT A

EAST SIDE LEARNING CENTER
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Support and Revenue:					
Contributions	\$ 185,309	\$ 315,000	\$ 500,309	\$ 306,652	\$ 498,106
In-kind Contributions	484,374	-	484,374	-	381,184
Program Service Fees	19,194	-	19,194	-	14,967
Interest	1,359	-	1,359	-	372
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	70,000	(70,000)	-	(88,000)	-
Satisfaction of Program Restrictions	245,000	(245,000)	-	(215,001)	-
Total Support and Revenue	1,005,236	-	1,005,236	3,651	894,629
Expense:					
Program Services:					
Tutoring	887,436	-	887,436	-	763,194
Support Services:					
Management and General Fundraising	113,928	-	113,928	-	109,964
Total Support Services	42,429	-	42,429	-	32,182
Total Expense	156,357	-	156,357	-	142,146
	1,043,793	-	1,043,793	-	905,340
Change in Net Assets	(38,557)	-	(38,557)	3,651	(10,711)
Net Assets - Beginning of Year	377,191	315,000	692,191	311,349	702,902
Net Assets - End of Year	\$ 338,634	\$ 315,000	\$ 653,634	\$ 377,191	\$ 692,191

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, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016				2015	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 427,784	\$ 75,842	\$ 28,973	\$ 104,815	\$ 532,599	\$ 488,675
In-kind Salaries	304,560	22,340	12,430	34,770	339,330	284,210
In-kind Occupancy	69,882	7,817	-	7,817	77,699	77,699
Program Expense	67,407	177	-	177	67,584	24,392
Professional Fees	2,750	5,193	47	5,240	7,990	10,620
Insurance	6,405	1,135	434	1,569	7,974	7,690
Printing & Copying	3,124	554	212	766	3,890	5,316
Furniture & Equipment	1,887	335	128	463	2,350	3,094
Office Expense	1,061	188	72	260	1,321	1,329
Dues & Subscriptions	781	138	53	191	972	436
Postage	676	120	46	166	842	1,044
Other Expenses	619	-	-	-	619	287
Travel	298	53	20	73	371	295
Depreciation	202	36	14	50	252	253
Total Expense	\$ 887,436	\$ 113,928	\$ 42,429	\$ 156,357	\$ 1,043,793	\$ 905,340

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, 2015

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Personnel Expense	\$ 399,150	\$ 70,858	\$ 18,667	\$ 89,525	\$ 488,675
In-kind Salaries	248,340	23,098	12,772	35,870	284,210
In-kind Occupancy	69,882	7,817	-	7,817	77,699
Program Expense	24,173	219	-	219	24,392
Professional Fees	5,470	5,150	-	5,150	10,620
Insurance	6,281	1,115	294	1,409	7,690
Printing & Copying	4,342	771	203	974	5,316
Furniture & Equipment	2,528	449	117	566	3,094
Office Expense	1,085	193	51	244	1,329
Dues & Subscriptions	356	63	17	80	436
Postage	853	151	40	191	1,044
Other Expenses	287	-	-	-	287
Travel	241	43	11	54	295
Depreciation	206	37	10	47	253
Total Expense	\$ 763,194	\$ 109,964	\$ 32,182	\$ 142,146	\$ 905,340

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

EAST SIDE LEARNING CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash & Cash Equivalents	\$ 123,649	\$ 179,014
Accounts Receivable	5,000	-
Prepaid Expense	5,638	447
Investments	233,278	200,086
Grants Receivable	285,001	315,000
Total Current Assets	652,566	694,547
Furniture and Equipment - Net	1,068	1,320
TOTAL ASSETS	\$ 653,634	\$ 695,867
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Payroll Taxes Withheld and Accrued	\$ -	\$ 1,018
Accrued Salary	-	2,658
Total Current Liabilities	-	3,676
Net Assets:		
Unrestricted	338,634	377,191
Temporarily Restricted	315,000	315,000
Total Net Assets	653,634	692,191
TOTAL LIABILITIES AND NET ASSETS	\$ 653,634	\$ 695,867

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, 2016 AND 2015

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (38,557)	\$ (10,711)
Total Adjustments	16,127	(27,862)
Net Cash Provided (Used) by Operating Activities	<u>(22,430)</u>	<u>(38,573)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(233,021)	(200,008)
Sale of Investments	200,086	-
Net Cash (Used) by Investing Activities	<u>(32,935)</u>	<u>(200,008)</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net (Decrease) in Cash	(55,365)	(238,581)
Cash & Cash Equivalents - Beginning of Year	<u>179,014</u>	<u>417,595</u>
Cash & Cash Equivalents- End of Year	<u>\$ 123,649</u>	<u>\$ 179,014</u>

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

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 AND 2015

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, 2013 and later remain subject to examination by the Internal Revenue Service.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 8, 2016, 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.

3. Investments

Investments were comprised of the following as of:

	June 30,			
	2016		2015	
	Cost	Market	Cost	Market
At quoted market value:				
Certificate of Deposits	\$ 233,000	\$ 233,278	\$ 200,000	\$ 200,086

Investment income was as follows as of:

	June 30,	
	2016	2015
Interest and Dividend Income	\$ 1,359	\$ 372

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. 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.

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

June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 233,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,278</u>

June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 200,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,086</u>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. Grants Receivable

The balances of grants receivable are due as follows:

<u>Due in the Year Ending June 30,</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
2016	\$ -	\$ 315,000
2017	<u>285,001</u>	<u>-</u>
Total Grants Receivable	285,001	315,000
Less Discount at 4%	<u>-</u>	<u>-</u>
Net Grants Receivable	285,001	315,000
Current Portion	<u>285,001</u>	<u>315,000</u>
Long Term Portion	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2016, ESLC received notification that United Way intends to contribute for multiple years but since future amounts of funding have not been determined yet, only one year of income will be booked at a time.

6. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Furniture and Equipment	\$ 16,362	\$ 16,362	3-10 Years
Less Accumulated Depreciation	<u>15,294</u>	<u>15,042</u>	
	<u>\$ 1,068</u>	<u>\$ 1,320</u>	

Depreciation expense of \$252 and \$253 was recorded for the years ended June 30, 2016 and 2015, respectively.

7. 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:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
United Way – Tutoring	\$ 205,000	\$ 205,000
SSND – Future Years Operations	45,000	45,000
Kinney Family Foundation – Future Years Operations	25,000	25,000
F.R. Bigelow Foundation – Future Years Operations	20,000	-
The Saint Paul Foundation – Future Years Operations	10,000	-
iHeart Media – Summer School Program	10,000	-
Richard Schulze Foundation – One-on-One Reading	<u>-</u>	<u>40,000</u>
	<u>\$ 315,000</u>	<u>\$ 315,000</u>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. In-kind Contributions

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Volunteer Tutoring Salaries at 10,671 hours @ \$25.20/hr for 2016 and 8,478 hours @ \$24.83/hr for 2015	\$ 268,909	\$ 210,509
Rent	77,699	77,699
Administrative Salaries	70,421	73,702
Books, Supplies & Equipment	64,595	14,267
Professional Services	<u>2,750</u>	<u>5,007</u>
	<u>\$ 484,374</u>	<u>\$ 381,184</u>

9. 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 February 4, 2017. There was no outstanding balance for the years ended June 30, 2016 and 2015.

10. Cash Flow Operating Adjustments

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Depreciation	\$ 252	\$ 253
Grants Receivable	-	19,231
Accrued Interest	(257)	(79)
Decreases (Increases) in Current Assets:		
Prepaid Expenses	(5,191)	(29)
Accounts Receivable	(5,000)	1,014
Grants Receivable	29,999	(50,882)
Increases (Decreases) in Current Liabilities		
Accrued Salary	(2,658)	2,658
Payroll Taxes Withheld and Accrued	<u>(1,018)</u>	<u>(28)</u>
Total Adjustments	<u>\$ 16,127</u>	<u>\$ (27,862)</u>