

# **East Side Learning Center**

St. Paul, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2017 and 2016



**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, 2017 and 2016 .....	2
EXHIBIT B:     Statement of Functional Expense – For the Year Ended June 30, 2017 with Comparative Totals for 2016 .....	3
EXHIBIT C:     Statement of Functional Expense – For the Year Ended June 30, 2016 .....	4
EXHIBIT D:     Statements of Financial Position – June 30, 2017 and 2016 .....	5
EXHIBIT E:     Statements of Cash Flows – For the Years Ended June 30, 2017 and 2016 .....	6
NOTES TO FINANCIAL STATEMENTS .....	7-12



Carpenter, Evert & Associates

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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, 2017 and 2016, 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, 2017 and 2016, 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 12, 2017

EAST SIDE LEARNING CENTER  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions	\$ 344,887	\$ 182,000	\$ 526,887	\$ 185,309	\$ 315,000	\$ 500,309
In-kind Contributions	447,305	-	447,305	484,374	-	484,374
Program Service Fees	10,000	-	10,000	19,194	-	19,194
Interest	1,513	-	1,513	1,359	-	1,359
Other Income	50	-	50	-	-	-
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	315,000	(315,000)	-	315,000	(315,000)	-
Total Support and Revenue	1,118,755	(133,000)	985,755	1,005,236	-	1,005,236
Expense:						
Program Services:						
Tutoring	872,911	-	872,911	887,436	-	887,436
Support Services:						
Management and General Fundraising	122,091	-	122,091	113,928	-	113,928
Total Support Services	52,916	-	52,916	42,429	-	42,429
Total Expense	175,007	-	175,007	156,357	-	156,357
	1,047,918	-	1,047,918	1,043,793	-	1,043,793
Change in Net Assets	70,837	(133,000)	(62,163)	(38,557)	-	(38,557)
Net Assets - Beginning of Year	338,634	315,000	653,634	377,191	315,000	692,191
Net Assets - End of Year	\$ 409,471	\$ 182,000	\$ 591,471	\$ 338,634	\$ 315,000	\$ 653,634

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

EAST SIDE LEARNING CENTER  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017				2016	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 439,888	\$ 77,991	\$ 29,811	\$ 107,802	\$ 547,690	\$ 532,599
In-kind Salaries	300,569	26,408	14,694	41,102	341,671	339,330
In-kind Occupancy	72,573	8,118	-	8,118	80,691	77,699
Program Expense	31,887	215	-	215	32,102	67,584
Professional Fees	1,950	5,170	6,808	11,978	13,928	7,990
Furniture & Equipment	10,589	1,877	718	2,595	13,184	2,350
Insurance	6,474	1,148	439	1,587	8,061	7,974
Printing & Copying	3,814	676	258	934	4,748	3,890
Other Expenses	2,410	-	-	-	2,410	619
Office Expense	1,298	230	88	318	1,616	1,321
Postage	545	96	37	133	678	842
Travel	363	64	25	89	452	371
Dues & Subscriptions	349	62	24	86	435	972
Depreciation	202	36	14	50	252	252
Total Expense	\$ 872,911	\$ 122,091	\$ 52,916	\$ 175,007	\$ 1,047,918	\$ 1,043,793

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

EAST SIDE LEARNING CENTER  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

EAST SIDE LEARNING CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash & Cash Equivalents	\$ 184,579	\$ 123,649
Accounts Receivable	-	5,000
Prepaid Expense	3,887	5,638
Investments	233,324	233,278
Grants Receivable	177,000	285,001
Total Current Assets	598,790	652,566
Furniture and Equipment - Net	816	1,068
TOTAL ASSETS	\$ 599,606	\$ 653,634
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 1,910	\$ -
Payroll Taxes Withheld and Accrued	6,225	-
Total Current Liabilities	8,135	-
Net Assets:		
Unrestricted	409,471	338,634
Temporarily Restricted	182,000	315,000
Total Net Assets	591,471	653,634
TOTAL LIABILITIES AND NET ASSETS	\$ 599,606	\$ 653,634

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, 2017 AND 2016

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (62,163)	\$ (38,557)
Total Adjustments	<u>123,013</u>	<u>16,127</u>
Net Cash Provided (Used) by Operating Activities	60,850	(22,430)
Cash Flows from Investing Activities:		
Purchase of Investments	(232,941)	(233,021)
Sale of Investments	<u>233,021</u>	<u>200,086</u>
Net Cash Provided (Used) by Investing Activities	80	(32,935)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	60,930	(55,365)
Cash & Cash Equivalents - Beginning of Year	<u>123,649</u>	<u>179,014</u>
Cash & Cash Equivalents- End of Year	<u>\$ 184,579</u>	<u>\$ 123,649</u>

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



EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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, 2017 AND 2016

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, 2014 and later remain subject to examination by the Internal Revenue Service.

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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 12, 2017, 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,			
	2017		2016	
	Cost	Market	Cost	Market
At quoted market value:				
Certificate of Deposits	\$ 233,000	\$ 233,324	\$ 233,000	\$ 233,278

Investment income was as follows as of:

	June 30,	
	2017	2016
Interest Income	\$ 1,513	\$ 1,359

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 233,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,324</u>

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>

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

5. Grants Receivable

The outstanding balance of grants receivable at June 30, 2017 is expected to be collected over the following year:

<u>Due in the Year Ending June 30,</u>	
2018	<u>\$ 177,000</u>

6. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2017</u>	<u>2016</u>	<u>Useful Lives</u>
Furniture and Equipment	\$ 16,362	\$ 16,362	3-10 Years
Less Accumulated Depreciation	<u>15,546</u>	<u>15,294</u>	
	<u>\$ 816</u>	<u>\$ 1,068</u>	

Depreciation expense of \$252 was recorded for both the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
United Way – Tutoring	\$ 102,500	\$ 205,000
SSND – Future Years Operations	45,000	45,000
Kinney Family Foundation – Future Years Operations	25,000	25,000
Minnesota Timberwolves Fast Break Foundation	5,000	-
Clear Channel Worldwide	3,900	-
Others	600	-
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
	<u>\$ 182,000</u>	<u>\$ 315,000</u>

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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>2017</u>	<u>2016</u>
Volunteer Tutoring Salaries at 10,705 hours @ \$24.14/hr for 2017 and 10,671 hours @ \$25.20/hr for 2016	\$ 258,419	\$ 268,909
Administrative Salaries	83,251	70,421
Rent	80,691	77,699
Books, Supplies & Equipment	22,993	64,595
Professional Services	1,950	2,750
	<u>\$ 447,304</u>	<u>\$ 484,374</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, 2019. There was no outstanding balance for the years ended June 30, 2017 and 2016.

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>2017</u>	<u>2016</u>
Depreciation	\$ 252	\$ 252
Accrued Interest	(126)	(257)
Decreases (Increases) in Current Assets:		
Prepaid Expenses	1,751	(5,191)
Accounts Receivable	5,000	(5,000)
Pledges Receivable	108,001	29,999
Increases (Decreases) in Current Liabilities		
Accounts Payable	1,910	-
Accrued Salary	-	(2,658)
Payroll Taxes Withheld and Accrued	6,225	(1,018)
Total Adjustments	<u>\$ 123,013</u>	<u>\$ 16,127</u>