

East Side Learning Center

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and 2017, 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, 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.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
November 9, 2018

EAST SIDE LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018				2017	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 358,241	\$ 71,692	\$ 36,299	\$ 107,991	\$ 466,232	\$ 547,690
In-kind Salaries	262,033	17,628	14,070	31,698	293,731	341,671
In-kind Occupancy	66,628	7,452	-	7,452	74,080	80,691
Furniture & Equipment	16,440	3,290	1,666	4,956	21,396	13,184
Professional Fees	7,502	5,156	604	5,760	13,262	13,928
Program Expense	12,013	286	-	286	12,299	32,102
Insurance	6,197	1,240	628	1,868	8,065	8,061
Printing & Copying	3,671	735	372	1,107	4,778	4,748
Office Expense	1,445	289	146	435	1,880	1,616
Other Expenses	1,312	-	-	-	1,312	2,410
Postage	547	110	55	165	712	678
Travel	321	64	33	97	418	452
Dues & Subscriptions	154	30	16	46	200	435
Depreciation	434	86	44	130	564	252
Total Expense	<u>\$ 736,938</u>	<u>\$ 108,058</u>	<u>\$ 53,933</u>	<u>\$ 161,991</u>	<u>\$ 898,929</u>	<u>\$ 1,047,918</u>

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, 2017

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

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

EAST SIDE LEARNING CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash & Cash Equivalents	\$ 164,522	\$ 184,579
Prepaid Expense	2,196	3,887
Investments	240,554	233,324
Grants Receivable	50,000	177,000
Total Current Assets	457,272	598,790
Furniture and Equipment - Net	252	816
TOTAL ASSETS	\$ 457,524	\$ 599,606
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 3,950	\$ 1,910
Payroll Taxes Withheld and Accrued	891	6,225
Total Current Liabilities	4,841	8,135
Net Assets:		
Unrestricted	407,683	409,471
Temporarily Restricted	45,000	182,000
Total Net Assets	452,683	591,471
TOTAL LIABILITIES AND NET ASSETS	\$ 457,524	\$ 599,606

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (138,788)	\$ (62,163)
Total Adjustments	<u>125,731</u>	<u>123,013</u>
Net Cash Provided (Used) by Operating Activities	(13,057)	60,850
Cash Flows from Investing Activities:		
Purchase of Investments	(480,997)	(232,941)
Sale of Investments	<u>473,997</u>	<u>233,021</u>
Net Cash Provided (Used) by Investing Activities	(7,000)	80
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(20,057)	60,930
Cash & Cash Equivalents - Beginning of Year	<u>184,579</u>	<u>123,649</u>
Cash & Cash Equivalents- End of Year	<u>\$ 164,522</u>	<u>\$ 184,579</u>

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

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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, 2015 and later remain subject to examination by the Internal Revenue Service.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 November 9, 2018, 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,			
	2018		2017	
	Cost	Market	Cost	Market
At quoted market value:				
Certificate of Deposits	\$ 240,000	\$ 240,554	\$ 233,000	\$ 233,324

Investment income was as follows as of:

	June 30,	
	2018	2017
Interest Income	\$ 3,595	\$ 1,513

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 240,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,554</u>

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>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. Grants Receivable

The outstanding balance of grants receivable at June 30, 2018 is expected to be collected over the following year:

<u>Due in the Year Ending June 30,</u> 2019	<u>\$ 50,000</u>
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6. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2018</u>	<u>2017</u>	<u>Useful Lives</u>
Furniture and Equipment	\$ 16,362	\$ 16,362	3-10 Years
Less Accumulated Depreciation	<u>16,110</u>	<u>15,546</u>	
	<u>\$ 252</u>	<u>\$ 816</u>	

Depreciation expense of \$564 and \$252 was recorded for the years ended June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
SSND – Future Years Operations	\$ 45,000	\$ 45,000
United Way – Tutoring	-	102,500
Kinney Family Foundation – Future Years Operations	-	25,000
Minnesota Timberwolves Fast Break Foundation	-	5,000
Clear Channel Worldwide	-	3,900
Others	-	600
	<u>\$ 45,000</u>	<u>\$ 182,000</u>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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>2018</u>	<u>2017</u>
Volunteer Tutoring Salaries at 7,685 hours @ \$24.14/hr for 2018 and 10,705 hours @ \$24.14/hr for 2017	\$ 185,516	\$ 258,419
Administrative Salaries	108,216	83,252
Rent	74,080	80,691
Books, Supplies & Equipment	10,792	22,993
Professional Services	<u>1,050</u>	<u>1,950</u>
	<u>\$ 379,654</u>	<u>\$ 447,305</u>

9. Note Payable

ESLC maintains a \$25,000, 3.75% 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, 2018 and 2017.

10. Cash Flow Operating Adjustments

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

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Depreciation	\$ 564	\$ 252
Accrued Interest	(262)	(126)
Unrealized Loss on Investments	32	-
Decreases (Increases) in Current Assets:		
Prepaid Expenses	1,691	1,751
Accounts Receivable	-	5,000
Grants Receivable	127,000	108,001
Increases (Decreases) in Current Liabilities		
Accounts Payable	2,040	1,910
Payroll Taxes Withheld and Accrued	<u>(5,334)</u>	<u>6,225</u>
Total Adjustments	<u>\$ 125,731</u>	<u>\$ 123,013</u>