

East Side Learning Center
St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2011 and 2010

Carpenter *Evert*
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 statements of financial position of East Side Learning Center as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of East Side Learning Center as of June 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Raymond Ewert & Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
September 8, 2011

EXHIBIT A

EAST SIDE LEARNING CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011		2010		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and Revenue:					
Contributions	\$ 199,633	\$ 184,562	\$ 384,195	\$ 165,101	\$ 979,468
In-kind Contributions	274,524	-	274,524	261,424	261,424
Program Service Fees	35,128	-	35,128	41,379	41,379
Interest	3,770	-	3,770	5,366	5,366
Miscellaneous Income	4	-	4	77	77
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	151,000	(151,000)	-	-	-
Satisfaction of Program Restrictions	229,998	(229,998)	-	371,921	(371,921)
Total Support and Revenue	894,057	(196,436)	697,621	845,268	1,287,714
Expense:					
Program Services:					
Tutoring	608,955	-	608,955	677,591	677,591
Support Services:					
Management and General	105,443	-	105,443	66,233	66,233
Fundraising	21,155	-	21,155	13,225	13,225
Total Support Services	126,598	-	126,598	79,458	79,458
Total Expense	735,553	-	735,553	757,049	757,049
Change in Net Assets	158,504	(196,436)	(37,932)	88,219	530,665
Net Assets - Beginning of Year	426,129	629,865	1,055,994	337,910	525,329
Net Assets - End of Year	\$ 584,633	\$ 433,429	\$ 1,018,062	\$ 426,129	\$ 1,055,994

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, 2011 WITH COMPARATIVE TOTALS FOR 2010

	2011				2010	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 358,417	\$ 60,456	\$ 12,955	\$ 73,411	\$ 431,828	\$ 461,087
In-kind Salaries	160,659	27,099	5,807	32,906	193,565	154,938
Occupancy	52,617	8,875	1,902	10,777	63,394	76,436
Professional Fees	11,950	4,944	-	4,944	16,894	6,627
Program Expense	10,190	1,778	-	1,778	11,968	40,104
Insurance	5,095	860	184	1,044	6,139	3,898
Printing & Copying	4,192	707	152	859	5,051	1,289
Office Supplies	1,646	278	59	337	1,983	1,632
Other Expenses	1,378	-	-	-	1,378	1,170
Postage	862	145	31	176	1,038	1,175
Dues and Subscriptions	644	109	23	132	776	594
Furniture and Equipment	532	62	14	76	608	7,345
Travel	377	63	14	77	454	277
Depreciation	396	67	14	81	477	477
Total Expense	<u>\$ 608,955</u>	<u>\$ 105,443</u>	<u>\$ 21,155</u>	<u>\$ 126,598</u>	<u>\$ 735,553</u>	<u>\$ 757,049</u>

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, 2010

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Personnel Expense	\$ 396,996	\$ 52,564	\$ 11,527	\$ 64,091	\$ 461,087
In-kind Salaries	147,811	5,845	1,282	7,127	154,938
Occupancy	76,436	-	-	-	76,436
Professional Fees	703	5,924	-	5,924	6,627
Program Expense	40,104	-	-	-	40,104
Insurance	3,357	444	97	541	3,898
Printing & Copying	1,110	147	32	179	1,289
Office Supplies	1,405	186	41	227	1,632
Other Expenses	1,170	-	-	-	1,170
Postage	1,012	134	29	163	1,175
Dues and Subscriptions	511	68	15	83	594
Furniture and Equipment	6,327	835	183	1,018	7,345
Travel	238	32	7	39	277
Depreciation	411	54	12	66	477
Total Expense	\$ 677,591	\$ 66,233	\$ 13,225	\$ 79,458	\$ 757,049

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

EAST SIDE LEARNING CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 594,818	\$ 479,529
Accounts Receivable	5,316	-
Prepaid Expenses	2,121	570
Grants Receivable - Short-term Portion	302,883	308,685
Total Current Assets	<u>905,138</u>	<u>788,784</u>
Grants Receivable - Long-term Portion	110,371	264,180
Furniture and Equipment - Net	<u>2,553</u>	<u>3,030</u>
 TOTAL ASSETS	 <u><u>\$ 1,018,062</u></u>	 <u><u>\$ 1,055,994</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
None	\$ -	\$ -
Net Assets:		
Unrestricted	584,633	426,129
Temporarily Restricted	433,429	629,865
Total Net Assets	<u>1,018,062</u>	<u>1,055,994</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,018,062</u></u>	 <u><u>\$ 1,055,994</u></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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (37,932)	\$ 530,665
Total Adjustments	<u>153,221</u>	<u>(435,441)</u>
Net Cash Provided by Operating Activities	115,289	95,224
Cash Flows from Investing Activities:		
Redemption of Certificates of Deposit	-	145,000
Purchase of Equipment	<u>-</u>	<u>(2,519)</u>
Net Cash Provided by Investing Activities	-	142,481
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	115,289	237,705
Cash and Cash Equivalents - Beginning of Year	<u>479,529</u>	<u>241,824</u>
Cash and Cash Equivalents - End of Year	<u>\$ 594,818</u>	<u>\$ 479,529</u>

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

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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. The Learning Center 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, ESLC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivable 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 the Organization does not charge interest on accounts receivable balances. No allowance for doubtful accounts has been provided as accounts and grants receivable are considered collectable.

Furniture and Equipment

The client capitalizes furniture and equipment purchases equal to, or exceeding \$1,000 using the straight-line method of depreciation.

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

Expenses are recorded in functional categories when incurred. In certain cases, allocations of expenses between categories must be made. When allocations are required, they are based on the best estimates of management.

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization 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. The Organization'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. The Organization 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.

Subsequent Events

ESLC has evaluated the effect that subsequent events would have on the financial statements through September 8, 2011, which is the date financial statements were available to be issued.

2. 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 of the investments at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants Receivable	<u>\$ -</u>	<u>\$ 413,254</u>	<u>\$ -</u>	<u>\$ 413,254</u>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

3. Grants Receivable

The balance of grants receivable at June 30, 2011 and 2010, is expected to be collected over the following fiscal years:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>Due in the Year Ending June 30,</u>		
2011	\$ -	\$ 324,000
2012	312,502	250,000
2013	67,500	20,000
2014	<u>47,500</u>	<u>-</u>
Total Grants Receivable	427,502	594,000
Less Discount @ 4%	<u>14,248</u>	<u>21,135</u>
Net Grants Receivable	413,254	572,865
Less Current Portion	<u>302,883</u>	<u>308,685</u>
Long-term Portion	<u>\$ 110,371</u>	<u>\$ 264,180</u>

4. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		Estimated Useful Lives
	<u>2011</u>	<u>2010</u>	
Furniture and Equipment	\$ 16,362	\$ 16,362	5-10 Years
Less Accumulated Depreciation	<u>13,809</u>	<u>13,332</u>	
	<u>\$ 2,553</u>	<u>\$ 3,030</u>	

Depreciation expense of \$477 was recorded for the years ended June 30, 2011 and 2010.

5. 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>2011</u>	<u>2010</u>
United Way – Tutoring	\$ 230,002	\$ 460,000
SSND – Future Years Operations	142,500	46,500
Kinney Family Foundation – Future Years Operations	40,000	60,000
SPPS Foundation – Travelers Intervention Grant	20,000	-
McNeely Foundation – Future Years Operations	15,000	-
Other Restricted Contributions	175	-
Pledge Discount	(14,248)	(21,135)
Coughlan Companies – Future Years Operations	-	27,500
Travelers Foundation – Future Years Operations	-	22,000
Deluxe Corporation – Future Years Operations	-	20,000
Ecolab – Future Years Operation	-	15,000
	<u>\$ 433,429</u>	<u>\$ 629,865</u>

EAST SIDE LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. 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>2011</u>	<u>2010</u>
Volunteer Tutoring Salaries at 5,661 hours @ \$21.36/hr and 78 hours @ \$15/hr for 2011 and 4,899 hours @ \$21.16/hr for 2010	\$ 122,089	\$ 103,663
Administrative Salaries	71,476	51,275
Rent	63,394	76,436
Professional Services	11,950	703
Books, Supplies & Equipment	5,615	29,347
	<u>\$ 274,524</u>	<u>\$ 261,424</u>

7. 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>2011</u>	<u>2010</u>
Depreciation	\$ 477	\$ 477
Long-Term Pledges Receivable	153,809	(264,180)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	-	(1,038)
Funds Held for Others	-	(733)
Decreases (Increases) in Current Assets:		
Prepaid Expenses	(1,551)	(570)
Accounts Receivable	(5,316)	2,088
Grants Receivable	5,802	(171,485)
Total Adjustments	<u>\$ 153,221</u>	<u>\$ (435,441)</u>