

**East Side Learning Center**  
St. Paul, Minnesota

---

Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2012 and 2011

**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, 2012 and 2011 .....	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2012 with Comparative Totals for 2011 .....	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30 2011 .....	4
EXHIBIT D: Statements of Financial Position – For the Years Ended June 30, 2012 and 2011 .....	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2012 and 2011 .....	6
NOTES TO FINANCIAL STATEMENTS.....	7-12

Certified Public Accountants

Minnesota Center • Suite 940

7760 France Avenue South

Bloomington, Minnesota 55435

952-831-0085 Fax 952-831-0792

## Carpenter *Evert*

### 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, 2012 and 2011, 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, 2012 and 2011, 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.



Certified Public Accountants

Minneapolis, Minnesota  
September 13, 2012

EXHIBIT A

EAST SIDE LEARNING CENTER  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		2011		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and Revenue:					
Contributions	\$ 143,451	\$ 634,781	\$ 778,232	\$ 184,562	\$ 384,195
In-Kind Contributions	298,614	-	298,614	-	274,524
Program Service Fees	20,287	-	20,287	-	35,128
Interest	2,640	-	2,640	-	3,770
Miscellaneous Income	3	-	3	-	4
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	82,500	(82,500)	-	(151,000)	-
Satisfaction of Program Restrictions	285,282	(285,282)	-	(229,998)	-
Total Support and Revenue	832,777	266,999	1,099,776	(196,436)	697,621
Expense:					
Program Services:					
Tutoring	768,731	-	768,731	-	608,955
Support Services:					
Management and General Fundraising	105,408	-	105,408	-	105,443
Total Support Services	9,693	-	9,693	-	21,155
Total Expense	115,101	-	115,101	-	126,598
	883,832	-	883,832	-	735,553
Change in Net Assets	(51,055)	266,999	215,944	(196,436)	(37,932)
Net Assets - Beginning of Year	584,633	433,429	1,018,062	629,865	1,055,994
Net Assets - End of Year	\$ 533,578	\$ 700,428	\$ 1,234,006	\$ 433,429	\$ 1,018,062

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, 2012 WITH COMPARATIVE TOTALS FOR 2011

	2012				2011	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Personnel Expense	\$ 480,737	\$ 56,640	\$ 6,197	\$ 62,837	\$ 543,574	\$ 431,828
In-kind Salaries	184,420	21,728	2,377	24,105	208,525	193,565
In-kind Occupancy	69,674	8,209	898	9,107	78,781	63,394
Program Expense	16,042	1,778	-	1,778	17,820	11,968
Professional Fees	-	15,024	-	15,024	15,024	16,894
Furniture and Equipment	6,989	823	90	913	7,902	608
Insurance	4,803	566	62	628	5,431	6,139
Printing & Copying	2,356	278	30	308	2,664	5,051
Office Supplies	1,267	149	16	165	1,432	1,983
Postage	601	71	8	79	680	1,038
Dues and Subscriptions	599	71	8	79	678	776
Other Expenses	643	-	-	-	643	1,378
Travel	155	18	2	20	175	454
Telephone & Internet	23	3	-	3	26	-
Depreciation	422	50	5	55	477	477
<b>Total Expense</b>	<b>\$ 768,731</b>	<b>\$ 105,408</b>	<b>\$ 9,693</b>	<b>\$ 115,101</b>	<b>\$ 883,832</b>	<b>\$ 735,553</b>

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, 2011

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

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

EAST SIDE LEARNING CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 530,446	\$ 594,818
Accounts Receivable	-	5,316
Prepaid Expenses	1,056	2,121
Grants Receivable - Short-term Portion	268,896	302,883
Total Current Assets	<u>800,398</u>	<u>905,138</u>
Grants Receivable - Long-term Portion	431,532	110,371
Furniture and Equipment - Net	<u>2,076</u>	<u>2,553</u>
 TOTAL ASSETS	 <u><u>\$ 1,234,006</u></u>	 <u><u>\$ 1,018,062</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
None	\$ -	\$ -
Net Assets:		
Unrestricted	533,578	584,633
Temporarily Restricted	700,428	433,429
Total Net Assets	<u>1,234,006</u>	<u>1,018,062</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,234,006</u></u>	 <u><u>\$ 1,018,062</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 215,944	\$ (37,932)
Total Adjustments	<u>(280,316)</u>	<u>153,221</u>
Net Cash Provided (Used) by Operating Activities	(64,372)	115,289
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64,372)	115,289
Cash and Cash Equivalents - Beginning of Year	<u>594,818</u>	<u>479,529</u>
Cash and Cash Equivalents - End of Year	<u>\$ 530,446</u>	<u>\$ 594,818</u>

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



EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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 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, 2012 AND 2011

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

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.

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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 13, 2012, 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 \$234,909 and \$243,717 in the years ending June 30, 2012 and 2011, respectively.

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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.

The following is a summary of the inputs used to determine the fair value at June 30, 2012 and 2011:

	Level 1	Level 2	Level 3	Total
Grants Receivable 2012	\$ -	\$ 700,428	\$ -	\$ 700,428
	Level 1	Level 2	Level 3	Total
Grants Receivable 2011	\$ -	\$ 413,254	\$ -	\$ 413,254

4. Grants Receivable

The balance of grants receivable at June 30, 2012 and 2011, is expected to be collected over the following fiscal years:

	June 30,	
	2012	2011
<u>Due in the Year Ending June 30,</u>		
2012	\$ -	\$ 312,502
2013	272,500	67,500
2014	252,500	47,500
2015	205,000	-
Total Grants Receivable	730,000	427,502
Less Discount @ 4%	29,572	14,248
Net Grants Receivable	700,428	413,254
Less Current Portion	268,896	302,883
Long-term Portion	\$ 431,532	\$ 110,371

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

5. Furniture and Equipment

ESLC owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2012</u>	<u>2011</u>	
Furniture and Equipment	\$ 16,362	\$ 16,362	5-10 Years
Less Accumulated Depreciation	14,286	13,809	
	<u>\$ 2,076</u>	<u>\$ 2,553</u>	

Depreciation expense of \$477 was recorded for both years ended June 30, 2012 and 2011.

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:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
United Way – Tutoring	\$ 615,000	\$ 230,002
SSND – Future Years Operations	95,000	142,500
Kinney Family Foundation – Future Years Operations	20,000	40,000
SPPS Foundation – Travelers Intervention Grant	-	20,000
McNeely Foundation – Future Years Operations	-	15,000
Other Restricted Contributions	-	175
Pledge Discount	(29,572)	(14,248)
	<u>\$ 700,428</u>	<u>\$ 433,429</u>

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:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Volunteer Tutoring Salaries at 6,074 hours @ \$21.62/hr for 2012 and 5,661 hours @ \$21.36/hr and 78 hours @ \$15/hr for 2011	\$ 131,320	\$ 122,089
Rent	78,781	63,394
Administrative Salaries	77,206	71,476
Books, Supplies & Equipment	11,308	5,615
Professional Services	-	11,950
	<u>\$ 298,615</u>	<u>\$ 274,524</u>

EAST SIDE LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

8. 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>2012</u>	<u>2011</u>
Depreciation	\$ 477	\$ 477
Long-Term Pledges Receivable	(321,161)	153,809
Decreases (Increases) in Current Assets:		
Prepaid Expenses	1,065	(1,551)
Accounts Receivable	5,316	(5,316)
Grants Receivable	33,987	5,802
Total Adjustments	<u>\$ (280,316)</u>	<u>\$ 153,221</u>