

Center School, Inc.
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2010 and 2009

Carpenter *Evert*
Certified Public Accountants



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Independent Auditor's Report

Board of Directors
Center School, Inc.
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Center School, Inc. as of June 30, 2010 and 2009, 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 audits 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 Center School, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Carpenter, Evert and Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
January 19, 2011

EXHIBIT B

CENTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	2010				2009	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 346,248	\$ 38,515	\$ 24,757	\$ 63,272	\$ 409,520	\$ 365,029
Employee Benefits	50,606	5,630	3,618	9,248	59,854	62,001
Payroll Taxes	29,202	3,248	2,088	5,336	34,538	27,690
Total Personnel Costs	<u>426,056</u>	<u>47,393</u>	<u>30,463</u>	<u>77,856</u>	<u>503,912</u>	<u>454,720</u>
Contract Services	26,195	2,010	25,516	27,526	53,721	45,706
Professional Fees	-	34,987	-	34,987	34,987	34,038
Occupancy	21,446	2,386	1,533	3,919	25,365	26,593
Insurance	20,864	2,321	1,492	3,813	24,677	21,142
Miscellaneous	18,911	2,103	1,352	3,455	22,366	11,502
Supplies	12,633	6,316	2,105	8,421	21,054	20,142
Equipment Lease and Maintenance	16,396	1,824	1,172	2,996	19,392	11,786
Lunches	15,848	1,763	1,133	2,896	18,744	4,187
Curriculum	13,414	-	-	-	13,414	10,407
Telephone	6,496	723	464	1,187	7,683	8,910
Staff Development	5,210	579	372	951	6,161	5,161
Dues and Memberships	4,811	-	-	-	4,811	4,978
Vehicle Expense	2,810	313	201	514	3,324	4,826
Advertising	2,158	240	154	394	2,552	5,985
Interest Expense	-	1,409	-	1,409	1,409	1,601
Depreciation	10,241	1,139	732	1,871	12,112	22,695
Total Expense	<u>\$ 603,489</u>	<u>\$ 105,506</u>	<u>\$ 66,689</u>	<u>\$ 172,195</u>	<u>\$ 775,684</u>	<u>\$ 694,379</u>

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

EXHIBIT C

CENTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2009

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 304,799	\$ 35,554	\$ 24,676	\$ 60,230	\$ 365,029
Employee Benefits	51,771	6,039	4,191	10,230	62,001
Payroll Taxes	23,121	2,697	1,872	4,569	27,690
Total Personnel Costs	379,691	44,290	30,739	75,029	454,720
Contract Services	23,023	1,931	20,752	22,683	45,706
Professional Fees	-	34,038	-	34,038	34,038
Occupancy	22,205	2,590	1,798	4,388	26,593
Insurance	17,654	2,059	1,429	3,488	21,142
Miscellaneous	9,547	1,150	805	1,955	11,502
Supplies	12,085	6,043	2,014	8,057	20,142
Equipment Lease and Maintenance	9,841	1,148	797	1,945	11,786
Lunches	3,553	378	256	634	4,187
Curriculum	10,407	-	-	-	10,407
Telephone	7,440	868	602	1,470	8,910
Staff Development	4,309	503	349	852	5,161
Dues and Memberships	4,978	-	-	-	4,978
Vehicle Expense	4,030	470	326	796	4,826
Advertising	4,997	583	405	988	5,985
Interest Expense	-	1,601	-	1,601	1,601
Depreciation	18,951	2,210	1,534	3,744	22,695
Total Expense	\$ 532,711	\$ 99,862	\$ 61,806	\$ 161,668	\$ 694,379

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

CENTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 237,951	\$ 106,269
Accounts Receivable	957	3,092
Grants Receivable	74,874	65,000
Prepaid Expenses	15,505	5,862
Other Assets	31,250	-
Total Current Assets	<u>360,537</u>	<u>180,223</u>
Property and Equipment - Net	<u>65,943</u>	<u>67,318</u>
TOTAL ASSETS	<u>\$ 426,480</u>	<u>\$ 247,541</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 8,429	\$ 13,050
Line-of-Credit	-	16,610
Payroll Tax Liabilities	4,170	3,227
Accrued Salaries and Vacation	18,851	11,520
Total Current Liabilities	<u>31,450</u>	<u>44,407</u>
Net Assets:		
Unrestricted	328,399	105,662
Temporarily Restricted	66,631	97,472
Total Net Assets	<u>395,030</u>	<u>203,134</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 426,480</u>	<u>\$ 247,541</u>

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

CENTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 191,896	\$ 103,478
Total Adjustments	<u>(32,867)</u>	<u>15,090</u>
Net Cash Provided by Operating Activities	159,029	118,568
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(10,737)	(27,992)
Cash Flows from Financing Activities:		
Net Borrowings on Line-of-Credit	(16,610)	(8,000)
Principal Payments on Notes Payable	-	(1,384)
Principal Payments on Capital Lease Obligations	-	<u>(2,901)</u>
Net Cash (Used) by Financing Activities	<u>(16,610)</u>	<u>(12,285)</u>
Net Increase in Cash	131,682	78,291
Cash - Beginning of Year	<u>106,269</u>	<u>27,978</u>
Cash - End of Year	<u>\$ 237,951</u>	<u>\$ 106,269</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
	<u>2010</u>	<u>2009</u>
Cash Paid For:		
Interest	<u>\$ 1,409</u>	<u>\$ 1,601</u>

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

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Policies

Organizational Purpose

Center School, Inc.'s purpose is to empower American Indian youth with culturally and community based education and work experiences that result in academic excellence, cultural understanding and responsible community membership.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Center School, Inc., 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 restrictions. 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 are reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Property and Equipment

All major expenditures over \$500 for property and equipment are capitalized at cost. Contributed equipment is recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently 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 except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Promises-To-Give (Grants 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.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Center School, Inc. will record such disallowance at the time the final assessment is made. The Organization's contract year and fiscal year do not coincide. As such, the revenue recorded can vary from a given contract award based on the rate expenditures are incurred.

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 service are allocated based on the best estimates of management.

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Income Tax

Center School, Inc. 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.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Subsequent Events

Center School, Inc. has evaluated the effect that subsequent events would have on the financial statements through January 19, 2011, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

Center School, Inc. provides services within the Twin Cities area. Grants and accounts receivable are from local institutions.

3. Major Sources of Support and Revenue

Major sources of support and revenue were as follows as of:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Minneapolis Public Schools	<u>\$ 527,570</u>	<u>\$ 409,686</u>

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. Fair Value

Center School, Inc. 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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants Receivable	\$ -	\$ 74,874	\$ -	\$ 74,874

5. Grants Receivable

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

<u>Due in the Year Ending June 30,</u> 2011	\$ 74,874
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6. Property and Equipment

Center School, Inc. owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2010</u>	<u>2009</u>	<u>Useful Lives</u>
Land	\$ 16,500	\$ 16,500	
Building and Building Improvements	496,687	487,867	5-20 years
Furniture and Equipment	205,907	203,989	5 years
Vehicles	32,615	49,492	3 years
Software	1,855	1,855	3 years
	753,564	759,703	
Less Accumulated Depreciation	687,621	692,385	
	\$ 65,943	\$ 67,318	

Depreciation expense of \$12,112 and \$22,695 was recorded for the years ended June 30, 2010 and 2009, respectively.

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

7. Line-of-Credit

Center School, Inc. maintains a line-of-credit at Franklin Bank. The interest rate at June 30, 2010, was 6.75%. The balance due was \$-0- and the agreement expires March 19, 2011.

8. Leased Equipment

Rental commitments under noncancelable leases for office equipment in effect at June 30, 2010, total \$12,628. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2011	\$ 3,444
2012	3,444
2013	3,444
2014	<u>2,296</u>
	<u>\$ 12,628</u>

Rental expense was \$3,227 and \$-0- for the years ended June 30, 2010 and 2009, respectively.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
United Way – Healthy Choices	\$ 65,000	\$ 65,000
McKnight Foundation – Building Improvements	816	12,472
Beverly Foundation – Building Improvements	<u>815</u>	<u>20,000</u>
	<u>\$ 66,631</u>	<u>\$ 97,472</u>

10. Other Changes in Net Assets

In the year ended June 30, 2010, Center School, Inc. was informed that they had a prepaid balance of \$31,250 with their unemployment insurance provider.

CENTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

11. Cash Flow Operating Adjustments

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

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Depreciation	\$ 12,112	\$ 22,695
Increases (Decreases) in Current Liabilities:		
Payroll Taxes Accrued and Withheld	943	-
Accounts Payable	(4,621)	2,955
Accrued Salaries and Vacation	7,331	(2,718)
Decreases (Increases) in Current Assets:		
Accounts Receivable	2,135	(201)
Other Assets	(31,250)	-
Grants Receivable	(9,874)	(7,500)
Prepaid Expenses	(9,643)	(141)
Total	<u>\$ (32,867)</u>	<u>\$ 15,090</u>