

**Center School, Inc.**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2019 and 2018



**CERTIFIED PUBLIC ACCOUNTANTS**

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### Independent Auditor's Report

Board of Directors  
Center School, Inc.  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Center School, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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 Center School, Inc. as of June 30, 2019 and 2018, and 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 & Associates, Ltd.*  
Certified Public Accountants

Minneapolis, Minnesota  
January 21, 2020

EXHIBIT A

CENTER SCHOOL, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018		Total
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	
<b>Support and Revenue:</b>					
Contributions	\$ 83,395	\$ 40,000	\$ 161,506	\$ 30,000	\$ 191,506
Government Grants	266,420	-	489,990	-	489,990
Program Service Fees	506,401	-	408,046	-	408,046
Miscellaneous	125	-	3,932	-	3,932
<b>Net Assets Released from Restrictions:</b>					
Satisfaction of Program Restrictions	56,775	(56,775)	26,677	(26,677)	-
Satisfaction of Time Restrictions	-	-	30,000	(30,000)	-
Satisfaction of Capital Restrictions	-	-	40,000	(40,000)	-
<b>Total Support and Revenue</b>	<b>913,116</b>	<b>(16,775)</b>	<b>1,160,151</b>	<b>(66,677)</b>	<b>1,093,474</b>
<b>Expense:</b>					
Program Services	741,574	-	957,747	-	957,747
<b>Support Services:</b>					
Management and General	73,448	-	81,855	-	81,855
Fundraising	84,365	-	96,645	-	96,645
<b>Total Support Services</b>	<b>157,813</b>	<b>-</b>	<b>178,500</b>	<b>-</b>	<b>178,500</b>
<b>Total Expense</b>	<b>899,387</b>	<b>-</b>	<b>1,136,247</b>	<b>-</b>	<b>1,136,247</b>
<b>Change in Net Assets</b>	<b>13,729</b>	<b>(16,775)</b>	<b>23,904</b>	<b>(66,677)</b>	<b>(42,773)</b>
<b>Net Assets - Beginning of Year</b>	<b>57,106</b>	<b>58,715</b>	<b>33,202</b>	<b>125,392</b>	<b>158,594</b>
<b>Net Assets - End of Year</b>	<b>\$ 70,835</b>	<b>\$ 41,940</b>	<b>\$ 57,106</b>	<b>\$ 58,715</b>	<b>\$ 115,821</b>

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

CENTER SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 447,980	\$ 41,169	\$ 56,017	\$ 97,186	\$ 545,166	\$ 623,138
Employee Benefits	88,238	8,109	11,034	19,143	107,381	92,825
Payroll Taxes	33,075	3,040	4,136	7,176	40,251	46,703
Total Personnel Costs	569,293	52,318	71,187	123,505	692,798	762,666
Contract Services	42,053	1,422	2,335	3,757	45,810	112,425
Equipment Lease and Maintenance	16,369	1,504	2,047	3,551	19,920	29,048
Nutrition	18,966	-	-	-	18,966	43,935
Insurance	15,486	1,423	1,936	3,359	18,845	17,559
Occupancy	13,834	1,271	1,730	3,001	16,835	14,362
Supplies	11,518	1,058	1,440	2,498	14,016	33,587
Professional Fees	-	11,739	-	11,739	11,739	11,882
Staff Mileage & Travel	10,991	-	-	-	10,991	9,509
Telephone	7,025	646	878	1,524	8,549	9,161
Student Activities	7,170	-	-	-	7,170	30,637
Interest Expense	4,216	388	527	915	5,131	5,135
Miscellaneous	4,092	376	512	888	4,980	12,138
Staff Development	3,935	362	492	854	4,789	3,164
Curriculum	4,571	-	-	-	4,571	17,433
Vehicle Expense	2,415	222	302	524	2,939	1,174
Dues and Memberships	1,811	-	-	-	1,811	2,438
Depreciation	7,829	719	979	1,698	9,527	19,994
Total Expense	\$ 741,574	\$ 73,448	\$ 84,365	\$ 157,813	\$ 899,387	\$ 1,136,247

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

CENTER SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2018

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 512,052	\$ 47,057	\$ 64,029	\$ 111,086	\$ 623,138
Employee Benefits	76,277	7,010	9,538	16,548	92,825
Payroll Taxes	38,377	3,527	4,799	8,326	46,703
Total Personnel Costs	626,706	57,594	78,366	135,960	762,666
Contract Services	107,675	1,403	3,347	4,750	112,425
Equipment Lease and Maintenance	23,869	2,194	2,985	5,179	29,048
Nutrition	43,935	-	-	-	43,935
Insurance	14,429	1,326	1,804	3,130	17,559
Occupancy	11,801	1,085	1,476	2,561	14,362
Supplies	27,600	2,536	3,451	5,987	33,587
Professional Fees	-	11,882	-	11,882	11,882
Staff Mileage & Travel	9,509	-	-	-	9,509
Telephone	7,528	692	941	1,633	9,161
Student Activities	30,637	-	-	-	30,637
Interest Expense	4,219	388	528	916	5,135
Miscellaneous	9,974	917	1,247	2,164	12,138
Staff Development	2,600	239	325	564	3,164
Curriculum	17,433	-	-	-	17,433
Vehicle Expense	964	89	121	210	1,174
Dues and Memberships	2,438	-	-	-	2,438
Depreciation	16,430	1,510	2,054	3,564	19,994
Total Expense	\$ 957,747	\$ 81,855	\$ 96,645	\$ 178,500	\$ 1,136,247

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

CENTER SCHOOL, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 41,657	\$ 52,818
Accounts Receivable	68	1,257
Grants and Contracts Receivable	86,401	78,570
Prepaid Expenses	10,132	7,322
Other Assets	43,967	46,430
Total Current Assets	<u>182,225</u>	<u>186,397</u>
Property - Net	<u>67,217</u>	<u>66,403</u>
TOTAL ASSETS	<u>\$ 249,442</u>	<u>\$ 252,800</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current Liabilities:		
Accounts Payable	\$ 13,435	\$ 10,338
Notes Payable	4,949	4,641
Accrued Salaries and Vacation	27,803	26,641
Total Current Liabilities	<u>46,187</u>	<u>41,620</u>
Long-term Liabilities:		
Notes Payable	<u>90,480</u>	<u>95,359</u>
Total Liabilities	136,667	136,979
Net Assets:		
Without Donor Restriction	70,835	57,106
With Donor Restriction	41,940	58,715
Total Net Assets	<u>112,775</u>	<u>115,821</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 249,442</u>	<u>\$ 252,800</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (3,046)	\$ (42,773)
Total Adjustments	1,601	(43,601)
Net Cash (Used) by Operating Activities	<u>(1,445)</u>	<u>(86,374)</u>
Cash Flows from Investing Activities:		
Purchase of Property	(5,145)	(40,376)
Proceeds from Disposal of Property	-	5,420
Net Cash (Used) by Investing Activities	<u>(5,145)</u>	<u>(34,956)</u>
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	-	100,000
Principal Payments on Notes Payable	<u>(4,571)</u>	<u>(76,715)</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,571)</u>	<u>23,285</u>
Net (Decrease) in Cash	<u>(11,161)</u>	<u>(98,045)</u>
Cash - Beginning of Year	<u>52,818</u>	<u>150,863</u>
Cash - End of Year	<u>\$ 41,657</u>	<u>\$ 52,818</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for Interest	<u>\$ 5,131</u>	<u>\$ 5,135</u>

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



CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies

Organizational Purpose

Center School's (the Organization) purpose is to provide transformative education, grounded in indigenous language and life-ways, nature and love of learning.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, 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:

Net Assets Without Donor Restrictions – Net assets that are not donor restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment are reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – 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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended June 30, 2019 and 2018, as required.

Accounts Receivable and Doubtful Accounts

The Organization 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 the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

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.

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.

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 net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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, the Organization 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.

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.

CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through January 21, 2020, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. Grants and accounts receivable are from local institutions.

3. Property and Equipment

The Organization owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2019</u>	<u>2018</u>	
Land	\$ 16,500	\$ 16,500	
Building and Building Improvements	560,046	560,046	5-20 years
Furniture and Equipment	273,123	267,978	5 years
Vehicles	44,642	39,446	3 years
Software	<u>8,430</u>	<u>8,430</u>	3 years
	902,741	892,400	
Less Accumulated Depreciation	<u>835,524</u>	<u>825,997</u>	
	<u>\$ 67,217</u>	<u>\$ 66,403</u>	

Depreciation expense of \$9,527 and \$19,994 was recorded for the years ended June 30, 2019 and 2018, respectively.

CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

4. Notes Payable

	June 30,	
	2019	2018
5.00% note payable due to Woodlands National Bank. Payable in monthly amounts of \$795 with the last payment due June 2033. Secured by building.	\$ 95,429	\$ 100,000
Total	95,429	100,000
Less Portion Due Within One (1) Year	4,949	4,641
Long-term portion	\$ 90,480	\$ 95,359

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2020	\$ 4,949
2021	5,128
2022	5,390
2023	5,666
2024 and Beyond	74,296
Total	\$ 95,429

The Organization maintains a \$75,050 line-of-credit with Woodlands National Bank, due on demand. Interest at 6.5% is due monthly with the line-of-credit expiring January 4, 2020. There was a balance due of \$-0- for both years ended June 30, 2019 and 2018. The line-of-credit is unsecured.

5. Temporarily Restricted Net Assets

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

	June 30,	
	2019	2018
Capital Needs	\$ 25,000	\$ -
Knowledge Warriors Program	16,940	35,262
Nike N7 Fund	-	15,939
Intergenerational Capacity Building	-	4,823
Indigenous Rock Climbing Club	-	2,691
	\$ 41,940	\$ 58,715

CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

8. 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>2019</u>	<u>2018</u>
Depreciation	\$ 9,527	\$ 19,994
In-kind Contribution of Property	(5,196)	-
(Gain) on Disposal of Property and Equipment	-	(3,841)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	3,097	5,203
Funds Held for Others	-	-
Accrued Salaries and Vacation	1,162	(764)
Decreases (Increases) in Current Assets:		
Accounts Receivable	1,189	1,454
Grants and Contracts Receivable	(7,831)	(68,117)
Prepaid Expenses	(2,810)	9,934
Other Assets	2,463	(7,464)
Total	<u>\$ 1,601</u>	<u>\$ (43,601)</u>

CENTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

6. Major Sources of Support and Revenue

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

	June 30,	
	2019	2018
Minneapolis Public Schools	\$ 551,089	\$ 452,674
Department of Health and Human Services	221,731	336,714
	\$ 772,820	\$ 789,388

7. Liquidity and Availability

The following represents the Organization's financial assets at June 30, 2019:

Financial Assets:	
Cash	\$ 41,657
Accounts Receivable	68
Grants and Contracts Receivable	86,401
Total Financial Assets	128,126
Less: Assets not available to be used within one year:	
Net Assets With Donor Restrictions	41,940
Net Assets With Restrictions to be met within a year	(41,940)
Total Assets not available to be used within one year	-
Financial assets available for general expenditures within one year	\$ 128,126

The Organization has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.