

Hallie Q. Brown Community Center, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
Hallie Q. Brown Community Center, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of Hallie Q. Brown Community Center, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 Hallie Q. Brown Community Center, Inc. as of December 31, 2016 and 2015, 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
May 18, 2017

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 142,122	\$ 65,804
Cash - Fiscal Agency	144,369	-
Accounts Receivable	21,168	24,953
Grants & Pledges Receivable	76,300	12,675
Prepaid Expenses	20,234	16,733
Total Current Assets	<u>404,193</u>	<u>120,165</u>
Property and Equipment - Net	361,657	326,115
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>245,288</u>	<u>241,436</u>
 TOTAL ASSETS	 <u>\$ 1,011,138</u>	 <u>\$ 687,716</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 33,602	\$ 20,853
Accrued Salaries and Vacation	77,056	67,780
Accrued Payroll Taxes	5,038	-
Other Accrued Expense	14,841	20,411
Funds Held for Others	13,231	5,901
Due to the City of St. Paul	88,783	88,783
Pension Liability	31,775	31,775
Fiscal Agency	144,369	-
Total Current Liabilities	<u>408,695</u>	<u>235,503</u>
Net Assets:		
Unrestricted	(68,380)	(85,440)
Temporarily Restricted	425,535	296,217
Permanently Restricted	245,288	241,436
Total Net Assets	<u>602,443</u>	<u>452,213</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,011,138</u>	 <u>\$ 687,716</u>

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

HALLIE Q. BROWN COMMUNITY CENTER, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
United Way	\$ 191,526	\$ -	\$ -	\$ 191,526	\$ 199,021	\$ -	\$ -	\$ 199,021
Governments Grants	303,740	46,308	-	350,048	231,839	243,564	-	475,403
Contributions	198,442	122,500	-	320,942	252,882	41,250	-	294,132
In-Kind Contributions	428,131	-	-	428,131	210,313	-	-	210,313
Program Service Fees	97,969	-	-	97,969	46,253	-	-	46,253
Rental Income	172,112	-	-	172,112	161,234	-	-	161,234
Special Events	26,726	-	-	26,726	16,101	-	-	16,101
Investment Income	132	-	-	132	(49)	-	-	(49)
Other	6,216	-	-	6,216	4,763	-	-	4,763
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	8,240	(8,240)	-	-	8,597	(8,597)	-	-
Satisfaction of Program Restrictions	31,250	(31,250)	-	-	-	-	-	-
Total Support and Revenue	1,464,484	129,318	-	1,593,802	1,130,954	276,217	-	1,407,171
Expense:								
Program Services:								
Children and Youth	437,614	-	-	437,614	353,748	-	-	353,748
Family Services	558,871	-	-	558,871	303,164	-	-	303,164
Facilities	158,085	-	-	158,085	123,834	-	-	123,834
Total Program Services	1,154,570	-	-	1,154,570	780,746	-	-	780,746
Support Services:								
Management and General	196,375	-	-	196,375	214,269	-	-	214,269
Fund Raising	106,705	-	-	106,705	88,750	-	-	88,750
Total Support Services	303,080	-	-	303,080	303,019	-	-	303,019
Total Expense	1,457,650	-	-	1,457,650	1,083,765	-	-	1,083,765
Change in Net Assets From Operations	6,834	129,318	-	136,152	47,189	276,217	-	323,406
Other Changes in Net Assets:								
Change in Value of Beneficial Interest in Assets Held at the St. Paul Foundation	10,226	-	3,852	14,078	9,831	-	(13,035)	(3,204)
Change in Net Assets	17,060	129,318	3,852	150,230	57,020	276,217	(13,035)	320,202
Net Assets - Beginning of Year	(85,440)	296,217	241,436	452,213	(142,460)	20,000	254,471	132,011
Net Assets - End of Year	\$ (68,380)	\$ 425,535	\$ 245,288	\$ 602,443	\$ (85,440)	\$ 296,217	\$ 241,436	\$ 452,213

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

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016					2015		
	Program Services			Support Services		Total All Services	Total All Services	Total All Services
	Children & Youth	Family Services	Facilities	Program Services	Administration	Fund Raising	Support Services	Total All Services
Salaries	\$ 286,177	\$ 108,609	\$ 99,132	\$ 493,918	\$ 92,208	\$ 45,335	\$ 137,543	\$ 631,461
Employee Benefits	12,959	4,474	4,049	21,482	38,316	1,759	40,075	61,557
Payroll Taxes	28,088	11,651	10,499	50,238	8,230	4,443	12,673	62,911
Total Personnel Costs	327,224	124,734	113,680	565,638	138,754	51,537	190,290	755,929
Participant	46,080	416,531	474	463,085	-	-	-	463,085
Occupancy	42,643	11,119	40,244	94,006	9,038	1,528	10,566	104,572
In-Kind Services	-	-	-	-	-	31,500	31,500	31,911
Professional Fees	1,585	-	-	1,585	24,418	2,300	26,718	28,303
Staff & Volunteer	2,514	1,149	-	3,663	4,822	13,367	18,189	21,852
Office	4,039	1,050	712	5,801	7,715	4,659	12,374	18,175
Telecommunication	6,665	1,644	937	9,246	1,053	210	1,263	10,509
Other	442	216	176	834	8,354	470	8,824	9,658
Transportation	248	454	60	762	545	310	855	1,617
Depreciation and Amortization	6,174	1,974	1,802	9,950	1,676	824	2,500	12,450
Total Expense	\$ 437,614	\$ 558,871	\$ 158,085	\$ 1,154,570	\$ 196,375	\$ 106,705	\$ 303,080	\$ 1,457,650
								\$ 1,083,765

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

EXHIBIT D

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				Support Services				Total All Services
	Children & Youth	Family Services	Facilities	Program Services	Admini- stration	Fund Raising	Support Services	Total	
Salaries	\$ 220,970	\$ 75,274	\$ 67,518	\$ 363,762	\$ 71,023	\$ 63,014	\$ 134,037	\$ 497,799	
Employee Benefits	5,698	2,021	1,790	9,509	33,635	1,760	35,395	44,904	
Payroll Taxes	31,675	10,836	9,340	51,851	9,818	9,707	19,525	71,376	
Total Personnel Costs	258,343	88,131	78,648	425,122	114,476	74,481	188,956	614,079	
Participant	27,643	203,368	797	231,808	-	-	-	231,808	
Occupancy	20,501	5,165	41,529	67,195	11,591	-	11,591	78,786	
In-Kind Services	31,911	-	-	31,911	-	-	-	31,911	
Professional Fees	2,201	338	-	2,539	54,939	6,854	61,793	64,332	
Staff & Volunteer	1,110	263	33	1,406	10,271	593	10,864	12,270	
Office	3,767	3,275	904	7,946	8,655	5,464	14,119	22,065	
Telecommunication	3,913	1,135	944	5,992	7,285	270	7,555	13,547	
Other	1,626	175	14	1,815	6,153	308	6,461	8,276	
Transportation	-	383	129	512	20	-	20	532	
Depreciation and Amortization	2,733	931	836	4,500	879	780	1,659	6,159	
Total Expense	\$ 353,748	\$ 303,164	\$ 123,834	\$ 780,746	\$ 214,269	\$ 88,750	\$ 303,019	\$ 1,083,765	

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

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 150,230	\$ 320,202
Total Adjustments	<u>61,915</u>	<u>(260,024)</u>
Net Cash Provided by Operating Activities	212,145	60,178
Cash Flows from Investing Activities:		
Pay Out from Beneficial Interest in Asset Held at the St. Paul Foundation	10,226	9,831
Purchases of Equipment	<u>(1,684)</u>	<u>(4,486)</u>
Net Cash Provided (Used) by Investing Activities	8,542	5,345
Cash Flows from Financing Activities:		
Payments on Notes Payable	-	(50,000)
Proceeds from Notes Payable	-	50,000
Net Payments on Line of Credit	<u>-</u>	<u>(1,910)</u>
Net Cash (Used) by Financing Activities	<u>-</u>	<u>(1,910)</u>
Net Increase in Cash	220,687	63,613
Cash - Beginning of Year	<u>65,804</u>	<u>2,191</u>
Cash - End of Year	<u>\$ 286,491</u>	<u>\$ 65,804</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ -</u>	<u>\$ 1,780</u>

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

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

Founded in 1929, Hallie Q. Brown Community Center, Inc. (the Organization) is a private, nonprofit social service agency serving the Summit University area of Saint Paul, Minnesota. The mission of the Organization is to improve the quality of life in our community by providing access to critical human services, fostering and promoting personal growth, and developing community leadership. In executing this mission, the Organization successfully operates a wide variety of programs, which specifically address the critical needs of community residents.

The Organization currently operates three program areas made up of five core programs along with a number of additional service activities. The program areas are: Children and Youth Programming consisting of the Early Learning Center and the After School and Summer Enrichment; Family Services consisting of the Emergency Food Shelf and Clothing Closet, Seniors programming, and Other Family Services; and Facilities Programming through the Multi-Service Center.

Children and Youth Programming

Early Learning Center – The Hallie Q. Brown Early Learning Center is licensed for 42 infants, toddlers, and preschoolers ages 6 weeks through 5 years old and provides safe, affordable childcare for working parents and community residents on a sliding fee scale. Children are provided with skills and tools to prepare them effectively for kindergarten and beyond. The Early Learning Center is nationally accredited through NAEYC and maintains the highest 4-star rating from Parent Aware MN.

After School and Summer Enrichment Program – The purpose of the After School and Summer Enrichment Program is to provide youth ages 5 to 14 with the resources and opportunities to develop and expand cooperative and interdependent relationships through organized activities. The program is designed to improve academic performance, enhance leadership and communication skills, increase awareness of other cultures, inspire a sense of community pride, and teach the importance of volunteerism and philanthropy to build strong and healthy communities. It operates after school during the year and full day during the summer and school release days.

Family Services

Emergency Food Shelf and Clothing Closet – The Emergency Food Shelf and Clothing Closet administers a broad range of emergency, referral and other support services. Among these services are the Food Shelf which operates from a Client Choice model and Clothing Closet which provides free clothing and small household items for families. The goal is to assist families in achieving self-sufficiency and self-empowerment, thus reducing their dependency on the food shelf and other services for their health and well-being.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Senior Programming – The Organization currently serves as a gathering place for seniors to enhance their independence through a connection to services and activities. In the Early Learning Center and School Age programs, children benefit from intergenerational service components provided by “grandparent” volunteers. Our Magnificent Golden Agers and Retired Men’s Club meet monthly. Both of these groups are in a process of renewed outreach and programmatic updates.

Other Family Services – In addition to the core programs of the Organization, activities at the Center include: Special Interest/Family Nights, MLK Recreation, and the 3M Computer Learning and Resource Center.

Facilities

Multi-Service Center - The Martin Luther King Multi-Service Center provides a multi-faceted service delivery to the community. Programs, classes, cultural events and special projects originate from this facility. The agencies providing these services and programs recognize and work to meet the diverse social, cultural and educational needs of their constituents. In addition to the groups using the facility for various program needs, the Martin Luther King Center is the permanent home for additional agencies and organizations.

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 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 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.

Permanently Restricted Net Assets – The part of the net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Investments

The Organization carries its investments at market value.

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.

Property and Equipment

All major expenditures for property and equipment above \$1,000 are capitalized at cost. Contributed items are 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 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.

Functional Allocation of Expense

Salaries and other expenses are allocated based on job descriptions and the best estimates of management.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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). The returns for the years ending December 31, 2013 and later remain subject to examination by the Internal Revenue Service.

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.

Deferred Revenue

Rental receipts that are collected in advance of the applicable rental period are recorded as deferred revenue.

Reclassifications

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

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through May 18, 2017, which is the date financial statements were available to be issued.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals and organizations, substantially all of whom are local.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2016 the Organization held funds at a local financial institution in excess of federally insured limits.

3. Fair Value

The Organization 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 December 31,

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 245,288</u>	<u>\$ -</u>	<u>\$ 245,288</u>
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 241,436</u>	<u>\$ -</u>	<u>\$ 241,436</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

4. Endowment and Reserves Fund

Description

Endowment and Reserves funds consist of permanently restricted and board designated funds established for these purposes:

Funds designated by the Board of Directors to function as endowments are held at the discretion of the Board of Directors with the income and related investment gains to be used to support program activities as approved by the Board of Directors.

Temporarily restricted funds are donor restricted investment income and related gains on permanently restricted funds to be used to support program activities as approved by the Board of Directors.

Permanently restricted funds are donor restricted to be held in perpetuity with the income and related investment gains to be used to support program activities as approved by the Board of Directors.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

4. Endowment and Reserves Fund (continued)

Endowment and Reserves Net Asset Composition by Type of Fund

December 31, 2015	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ -	\$ 241,436	\$ 241,436
December 31, 2016	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ -	\$ 245,288	\$ 245,288

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets December 31, 2014	\$ -	\$ -	\$ 254,471	\$ 254,471
Investment Return:				
Investment Income	-	-	3,348	3,348
Unrealized Gain (Loss)	-	-	(3,500)	(3,500)
Total Investment Return	-	-	(152)	(152)
Appropriation for Expenditure	-	-	(9,831)	(9,831)
Administration Fees	-	-	(3,052)	(3,052)
Net Assets December 31, 2015	-	-	241,436	241,436
Investment Return:				
Investment Income	-	-	3,501	3,501
Unrealized Gain (Loss)	-	-	13,655	13,655
Total Investment Return	-	-	17,156	17,156
Appropriation for Expenditure	-	-	(10,226)	(10,226)
Administration Fees	-	-	(3,078)	(3,078)
Net Assets December 31, 2016	\$ -	\$ -	\$ 245,288	\$ 245,288

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. Property and Equipment

The Organization owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Land	\$ 4,203	\$ 4,203	
Property Rights	289,872	243,564	40 years
Land Improvements	34,325	34,325	20 years
Leasehold Improvements	420,543	418,860	5-20 years
Furniture and Equipment	169,956	169,956	2-10 years
Vehicles	<u>80,617</u>	<u>80,617</u>	5-7 years
	999,516	951,525	
Less Accumulated Depreciation And Amortization	<u>637,859</u>	<u>625,410</u>	
	<u>\$ 361,657</u>	<u>\$ 326,115</u>	

Depreciation and Amortization expense of \$12,450 and \$6,159 was recorded for the years ended December 31, 2016 and 2015, respectively.

6. Line-of-Credit

The Organization maintains an unsecured \$10,000 reserve line-of-credit due on demand with US Bank at a rate of 21.9%. The line-of-credit balance was \$0 as of both December 31, 2016 and 2015.

The Organization maintains a \$35,000 reserve line-of-credit due in February 2017 with Bremer Bank at a rate of 4.25%. The line of credit is secured by all business assets. The line-of-credit balance was \$0 as of December 31, 2016.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

7. In-kind Donations

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	December 31,	
	2016	2015
Food, Supplies and Services	\$ 428,131	\$ 210,313

8. Lease Agreement

The Organization leases program and office space to a tenant under a noncancelable lease. Rental commitments in effect at December 31, 2016, total \$272,254. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2017	\$ 148,502
2018	123,752
	\$ 272,254

The rental income was \$172,112 and \$161,234 for the years ended December 31, 2016 and 2015, respectively.

9. Temporarily Restricted Net Assets

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

	December 31,	
	2016	2015
Property Rights and Capital Improvements	\$ 394,285	\$ 264,967
Early Learning Center	31,250	31,250
	\$ 425,535	\$ 296,217

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10. Defined Benefit Plan – Twin Cities Nonprofit Partners Pension Plan

The Organization participates in a multiemployer defined benefit pension plan in which 16 other agencies also participate. Of the approximately 1,100 participants, 2.00% are employees of the Organization. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees do not earn additional defined benefits for future services.

As required by the Codified Accounting Standards for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, the remaining agencies assume the liability and contributions of the agency in default. Plan assets are invested based on a long term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. A summary of the pension liability at December 31, 2016 and 2015 is as follows:

	December 31,	
	2016	2015
Pension Liability Balance	\$ 31,775	\$ 31,775

The Organization adopted Accounting Standards Update 2011-09 (ASU No. 2011-09), *Disclosures about an Employer's Participation in a Multiemployer Plan*, effective December 31, 2012 which requires additional disclosures about employers' participation in multiemployer pension plans including information about the plan's funded status if it is readily available.

The following table presents information concerning participation in the multiemployer defined benefit pension plan:

	December 31,	
	2016	2015
Legal Plan Name	Twin Cities Nonprofit Partners Pension Plan	
EIN/Plan Number	41-1973442/333	
Pension Protection Act % Funded	110%	110%
Contributions by Hallie Q. Brown	\$ 30,807	\$ 28,006
Contributions as a Percent of Total Contributed	2.00%	.175%
Rehabilitation Plan Status	na	na

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11. Fiscal Agency

The Organization acts as a fiscal agent for Community Ambassadors. During 2016 the net, of income and expenses for Community Ambassadors resulted in cash and liability balances of \$144,369 as of December 31, 2016.

12. Cash Flow Operating Adjustments

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Depreciation and Amortization	\$ 12,450	\$ 6,159
Change in Value of Beneficial Interest		
In Assets Held at the St. Paul Foundation	(14,078)	3,204
Donated Property Rights	(46,308)	(243,564)
Increases (Decreases) in Current Liabilities:		
Cash Overdraft	-	(7,140)
Accounts Payable	12,749	(1,677)
Accrued Salaries and Vacation	9,276	2,872
Accrued Payroll Taxes	5,038	-
Other Accrued Expenses	(5,570)	(9,771)
Funds Held for Others	7,330	(1,358)
Fiscal Agency	144,369	-
Deferred Revenue	-	(615)
Decreases (Increases) in Current Assets:		
Accounts Receivable	3,785	(9,672)
Grants Receivable	(63,625)	(12,675)
Prepaid Expenses	(3,501)	14,213
Total Adjustments	<u>\$ 61,915</u>	<u>\$ (260,024)</u>