

HALLIE Q. BROWN COMMUNITY CENTER, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

PREPARED BY:

ROGERS AND COMPANY

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hallie Q. Brown Community Center, Inc.

We have audited the accompanying statement of financial position of Hallie Q. Brown Community Center, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Hallie Q. Brown Community Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and, in our report dated October 26, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



October 14, 2010

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash & Equivalents	\$ 16,757	\$ 51,019
Cash - Restricted	1,121	2,941
Accounts Receivable, net of allowance for doubtful accounts	20,748	33,084
Contributions Receivable	71,877	20,000
Investments	620	441
Prepaid Expenses	<u>6,615</u>	<u>-</u>
Total Current Assets	117,738	107,485
Furniture and Equipment, net of accumulated depreciation of \$591,135 and \$575,928 in 2009 and 2008, respectively	122,497	23,292
Construction in Progress	-	54,613
Property Rights, net of amortization	192,694	205,948
Beneficial Interest in Assets Held by Community Foundation	<u>208,248</u>	<u>192,225</u>
Total Assets	<u>\$ 641,177</u>	<u>\$ 583,563</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 187,598	\$ 190,280
Accrued Expenses	72,455	72,351
Note Payable, Current Portion	57,000	-
Funds Held in Trust	<u>1,121</u>	<u>2,941</u>
Total Current Liabilities	318,174	265,572
Note Payable, Long-Term Portion	<u>28,000</u>	<u>-</u>
Total Liabilities	346,174	265,572
Net Assets		
Unrestricted	80,386	89,397
Temporarily restricted	-	30,000
Permanently restricted	<u>214,617</u>	<u>198,594</u>
Total Net Assets	<u>295,003</u>	<u>317,991</u>
Total Liabilities and Net Assets	<u>\$ 641,177</u>	<u>\$ 583,563</u>

The accompanying notes are an integral part of these financial statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE TOTALS FOR 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
Support and Revenue					
Support					
United Way	\$ 243,035	\$ -	\$ -	\$ 243,035	\$ 334,892
Grants	94,985	-	-	94,985	358,643
Government Grants	52,886	-	-	52,886	9,226
Contributions	20,884	-	-	20,884	16,130
In-Kind Contributions	89,151	-	-	89,151	-
Total Support	500,941	-	-	500,941	718,891
Revenue					
Program Service Fees	552,636	-	-	552,636	247,396
Rental Income	107,623	-	-	107,623	49,472
Investment Income	185	-	-	185	(347)
Other	41	-	-	41	9,086
Total Revenue	660,485	-	-	660,485	305,607
Net Assets Released from Restrictions	30,000	(30,000)	-	-	-
Total Support and Revenue	1,191,426	(30,000)	-	1,161,426	1,024,498
Expenses					
Program Services					
Children and Youth	321,044	-	-	321,044	399,788
Family Services	191,360	-	-	191,360	128,728
Senior Services	26,059	-	-	26,059	128,445
Total Program Services	538,463	-	-	538,463	656,961
Supporting Services					
Multi-Services/Facilities	397,304	-	-	397,304	150,736
Management and General	264,670	-	-	264,670	353,918
Fundraising	-	-	-	-	30,750
Total Supporting Services	661,974	-	-	661,974	535,404
Total Expenses	1,200,437	-	-	1,200,437	1,192,365
Gain (Loss) in Endowment Assets	-	-	16,023	16,023	(88,523)
Changes in Net Assets	(9,011)	(30,000)	16,023	(22,988)	(256,390)
Net Assets, Beginning of Year	89,397	30,000	198,594	317,991	574,381
Net Assets, End of Year	\$ 80,386	\$ -	\$ 214,617	\$ 295,003	\$ 317,991

The accompanying notes are an integral part of these financial statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE TOTALS FOR 2008

	Program Services				Supporting Services			Total	
	Children & Youth	Family Services	Senior Services	Program Services	Multi-Services Center/Facilities	Management & General	Supporting Services		
Salaries & Benefits	\$248,654	\$ 75,983	\$ 18,399	\$ 343,036	\$ 51,385	\$ 158,356	\$ 209,741	\$ 552,777	\$ 563,125
Contracted Services	7,823	-	-	7,823	313,379	3,580	316,959	324,782	307,125
Insurance	32,500	7,628	2,650	42,778	8,778	12,273	21,051	63,829	62,001
Building	3,198	10,393	540	14,131	3,550	781	4,331	18,462	50,331
Telephone	3,314	1,483	140	4,937	2,745	5,874	8,619	13,556	13,732
Dues & Memberships	-	-	-	-	-	670	670	670	3,094
Marketing	-	-	-	-	3,838	-	3,838	3,838	4,361
Supplies	21,972	95,123	540	117,635	12,274	9,501	21,775	139,410	76,544
Postage	84	-	-	84	-	113	113	197	523
Equipment Repair/Maintenance	455	159	-	614	120	597	717	1,331	4,036
Transportation	1,289	591	3,790	5,670	1,235	1,165	2,400	8,070	18,584
Other	1,755	-	-	1,755	-	6,147	6,147	7,902	6,622
Bad Debt	-	-	-	-	-	37,152	37,152	37,152	10,127
Depreciation & Amortization	-	-	-	-	-	28,461	28,461	28,461	72,160
Total Expenses	\$ 321,044	\$ 191,360	\$ 26,059	\$ 538,463	\$ 397,304	\$ 264,670	\$ 661,974	\$ 1,200,437	\$ 1,192,365

The accompanying notes are an integral part of these financial statements.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (22,988)	\$ (256,390)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
Depreciation and Amortization Expense	28,461	72,160
Other Non Cash Expenses	-	120
Unrealized (Gain) Loss on Investments	(16,023)	88,940
Changes in Current Assets and Liabilities		
Decrease in Accounts Receivable	12,336	259
(Increase) in Contributions Receivable	(51,877)	(20,000)
(Increase) Decrease in Prepaid Expenses	(6,615)	2,512
(Decrease) Increase in Accounts Payable	(2,682)	48,758
Increase Accrued Expenses	104	1,391
(Decrease) in Funds Held in Trust	<u>(1,820)</u>	<u>(835)</u>
Net Cash (Used) by Operating Activities	(61,104)	(63,085)
Cash Flows from Investing Activities		
Purchase of Furniture and Equipment	(59,799)	(58,188)
Purchase of Investments	<u>(179)</u>	<u>-</u>
Net Cash (Used) by Investing Activities	(59,978)	(58,188)
Cash Flows from Financing Activities		
Loan Proceeds	<u>85,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	85,000	-
Net (Decrease) in Cash	(36,082)	(121,273)
Cash, Beginning of Year	<u>53,960</u>	<u>175,233</u>
Cash, End of Year	<u>\$ 17,878</u>	<u>\$ 53,960</u>
 Cash, End of Year Consists of:		
Cash & Equivalents	\$ 16,757	\$ 51,019
Cash - Restricted	<u>1,121</u>	<u>2,941</u>
Total Cash, End of Year	<u>\$ 17,878</u>	<u>\$ 53,960</u>

The accompanying notes are an integral part of these financial statements.

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1. NATURE OF ACTIVITIES

Organization

Founded in 1929, Hallie Q. Brown Community Center, Inc. is a private, nonprofit social service agency serving the Summit University area of Saint Paul, Minnesota. The mission of Hallie Q. Brown Community Center, Inc 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, Hallie Q. Brown Community Center successfully operates a wide variety of programs, which specifically address the critical needs of community residents.

Programs and Services

Hallie Q. Brown Community Center currently operates five core program areas along with a number of additional service activities. The five core program areas are: Youth Programming consisting of the Early Learning Center and the After School and Summer Enrichment, Emergency Food Shelf and Clothing Closet, Seniors programming, and the Multi-Service Center..

Early Learning Center

The Hallie Q. Brown Child Care Center is licensed for 49 preschoolers ages 2 ³/₄ 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. This year we received a Four Star rating from Parent Aware. The ELC utilizes the Project Early Kindergarten (PEK) curriculum.

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.

Emergency Food Shelf and Clothing Closet

The Food Shelf and Clothing Closet operates out of the branch service centers of Hallie Q. Brown at Skyline Towers and 100 N. Oxford Street, where they administer a broad range of emergency, referral and other support services. Among these services are the

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1. NATURE OF ACTIVITIES (CONTINUED)

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.

Seniors programming

Hallie Q. Brown currently serves as a gathering place for Seniors to enhance their independence through a connection to services and activities. Community "Grandmothers" volunteer in the Child Care center to provide care and support to the children and other Seniors volunteer in additional areas of the Center. Our Golden Agers and Retired Mens Club meet monthly. We are in the process of expanding the services we offer to Seniors at Hallie Q. Brown.

Multi-Service Center Coordination of Services

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/organizations.

Additional Activities

In addition to the core programs of Hallie Q. Brown Community Center, activities at Hallie Q. Brown include: Special Interest/Family Nights, MLK Recreation, and the 3M Computer Learning and Resource Center. Project Voice opened the hub center at Hallie Q. Brown in June of 2008. The program focuses on connecting at-risk African American youth, K-8, to resources and programs to help them be successful in school and life, and then branches into the family to look holistically at connect the rest of the members to resources they need from parenting classes to counseling services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Receivables

Allowance for doubtful amounts has been provided for receivables that have been deemed uncollectable.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Hallie Q. Brown Community Center, Inc. and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

Temporarily Restricted – Resources subject to a donor-imposed restriction that will be satisfied by actions of the Organization and/or the passage of time. As of December 31, 2009 the Organization had no temporarily restricted net assets.

Permanently Restricted – Resources subject to a donor-imposed restriction that they be maintained permanently.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash – Restricted

The Organization is the fiscal agent for a group that is run through the community center. The funds held for this group are maintained in a separate cash account and recorded as a current liability on the statement of financial position.

Investments

The Organization carries investments in marketable securities with readily determinable fair values, and investments in debt and equity securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statement of activities.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fixed Assets

Furniture and equipment are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Contributions

Contributions, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services, Materials and Equipment

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated services have not been reflected in the accompanying financial statements since the appropriate criteria for recording these services have not been met. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

The value of food donated to the Organization's food shelf is reflected as in-kind contributions in the accompanying statement of activities.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a non-private foundation, and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Fundraising Expenses

The primary fundraising expenses are considered immaterial to the financial statements and are included in management and general expenses.

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

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

Comparative Information

The audited financial statements include certain prior year summarized expense information in total, but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

NOTE 3. FUNDS HELD IN TRUST

The Organization is the fiscal agent for an outside project, the Retired Men's Club. Hallie Q. Brown Community Center, Inc. holds the funds in trust but has no control over the Club's fiscal activities.

NOTE 4. INVESTMENTS

Investments at December 31, 2009 and 2008 are recorded at market value as summarized below:

	2009			2008		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Loss</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
Securities	\$ 788	\$ 620	\$ (168)	\$788	\$441	\$(347)

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5. FIXED ASSETS

Fixed assets owned by the Organization include:

	<u>2009</u>	<u>2008</u>
Land	\$ 4,203	\$ 4,203
Land Improvements	34,325	34,325
Leasehold Improvements	418,860	305,948
Equipment	175,627	174,127
Vehicles	<u>80,617</u>	<u>80,617</u>
Total	713,632	599,220
Less: Accumulated Depreciation	<u>(591,135)</u>	<u>(575,928)</u>
Total Furniture and Equipment	<u>\$122,497</u>	<u>\$ 23,292</u>

Depreciation and amortization expense of \$28,461 and \$72,160 was recorded for the years ended December 31, 2009 and 2008, respectively.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
General Operations	\$ ---	\$15,000
Child Care Construction	---	10,000
Food Shelf	<u>---</u>	<u>5,000</u>
Total Temporarily Restricted Net Assets	<u>\$ ---</u>	<u>\$30,000</u>

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs for the years ended December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
General Operations	\$15,000	\$ ---
Child Care Construction	10,000	---
Food Shelf	<u>5,000</u>	<u>---</u>
Total Net Assets Released from Restrictions	<u>\$30,000</u>	<u>\$ ---</u>

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 8. PROPERTY RIGHTS

In 1972, the City of St. Paul entered into a “Neighborhood Facilities Grant Contract” with the U.S. Department of Housing and Urban Development, to construct a neighborhood facility identified as the Martin Luther King, Jr. Neighborhood Service Center, to be located within the Summit-University Urban Renewal Project. The local funds necessary to facilitate this project were furnished and paid by Hallie Q. Brown Community Center, Inc. to the City of St. Paul, for application as required to the contracts covering the construction of the building. As a result of this participation, Hallie Q. Brown Community Center, Inc. received the right to occupy, free of charge, a substantial portion of the facility on terms and as set out in the City’s application for the aforementioned grant, which also specified that social services programs for the community are to be provided from this facility.

Although the City of St. Paul clearly retains ownership of the land and building, the terms of the agreement call for Hallie Q. Brown Community Center, Inc. to be responsible for all operating costs of the building and to allocate a percentage of those costs to the City, for the amount of space that is occupied in the building by the City of St. Paul. The Organization’s rights and responsibilities exist for a period of forty years.

As a result of the substantive nature of the terms of this agreement, which requires Hallie Q. Brown Community Center, Inc. to assume the responsibilities of an owner, rather than a tenant of this property, the value of the building will be accounted for as an intangible asset (Property Rights), and will be amortized over the period specified in the operation agreement (forty years). Hallie Q. Brown Community Center, Inc. does not have the authority to place a mortgage on this facility, or to use this facility as any form of collateral for future financing arrangements.

NOTE 9. RELATED PARTY TRANSACTIONS

Occupancy of the Martin Luther King, Jr. facility is currently shared by Hallie Q. Brown Community Center, Inc. and the City of St. Paul. Approximately 26% of the total accounts payable balance at December 31, 2009, is due to the City of St. Paul for utilities and other occupancy costs.

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of two endowment funds, one of which is held by the St. Paul Foundation. The other consists of amounts solicited by the Organization for this purpose. Earnings realized on these funds are unrestricted.

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 11. RETIREMENT BENEFITS

Previously, the Organization participated with the United Way and other affiliated agencies in a defined benefit pension plan. The plan covered substantially all full-time employees over age 21 with certain restrictions as to length of employment. Pension benefits are primarily based on employee compensation and number of years of service. The funding for the plan is determined by the actuary and is allocated based on employee compensation among United Way and the other participating agencies. The United Way closed the plan for new employees as of December 31, 2004. Due to the economic downturn, United Way increased the premiums of the participating agencies to compensate for the loss in the market by the investment covered by the pension plan. Contributions to the plan for the years ended December 31, 2009, were approximately \$23,000, markedly increased from the previous year's total.

NOTE 12. NOTE PAYABLE

	2009	2008
9.5% note payable to Minnesota Nonprofits Assistance Fund. Due in the three consecutive installments of \$5,000 each, one installment of \$12,000, seven consecutive installments of \$5,000, and one final installment, beginning March 16, 2010 and ending February 16, 2011 when the entire unpaid principal and all accrued and unpaid interest shall be due and payable.	<u>\$ 85,000</u>	<u>\$ -</u>

Maturing of the note payable is as follows:

Year End	Amount Due
2010	\$ 57,000
2011	<u>\$ 28,000</u>
Total	<u><u>\$ 85,000</u></u>

NOTE 13. CONDITIONAL PROMISE TO GIVE

At December 31, 2009, the Organization had a conditional promise to give of \$12,500 benefitting the Early Learning Center program. If matching funds of that amount are raised by August 31, 2010, the Organization will receive an additional cash contribution of \$12,500.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 14. LITIGATION

The Organization is a defendant in a civil action that arose from allegations by a former employee. The Organization denies any wrongful conduct and has vigorously defended this litigation. Claims against the Organization from this civil action may be subject to a policy of insurance with the exception of punitive damages, should the court support such claims.

NOTE 15. OPERATING LEASE RECEIPTS

The Organization leases program and office space to a tenant under a noncancelable operating lease with a term of ten years. The following is a schedule of future minimum rent revenue under the lease at December 31, 2009:

Year Ending December 31:	
2010	\$ 122,535
2011	137,683
2012	148,502
2013	148,502
2014	148,502
Thereafter	<u>655,885</u>
Total	<u>\$ 1,361,609</u>

NOTE 16. INCOME TAX UNCERTAINTIES

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes* ("SFAS 109"). This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Pursuant to FSP FIN 48-3, FIN 48 is effective for the Organization for the fiscal year beginning after December 15, 2008. The Organization adopted the provisions of FIN 48 on January 1, 2009. FIN 48 was codified into section ASC 740 of the FASB codification during 2009.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 16. INCOME TAX UNCERTAINTIES (CONTINUED)

The Organization has not identified any uncertainties in federal or state income taxes for any open tax years as of December 31, 2009. The Organization is no longer subject to federal and state tax examinations by tax authorities for years before 2005. No authorities have commenced income tax examinations as of December 31, 2009.

NOTE 17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued, October 14, 2010. There are no subsequent events required to be disclosed in accordance with accounting standards.