

Hallie Q. Brown Community Center, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2014 and 2013

Carpenter *Evert*
Certified Public Accountants



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Certified Public Accountants

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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, 2014 and 2013, 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

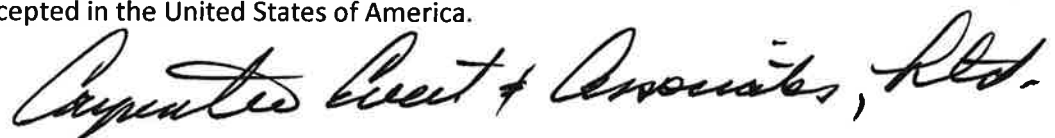
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2014 and 2013, 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.



Certified Public Accountants

Minneapolis, Minnesota
May 14, 2015

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 2,191	\$ 10,418
Accounts Receivable	15,281	11,094
Prepaid Expenses	30,946	26,105
Total Current Assets	<u>48,418</u>	<u>47,617</u>
Property and Equipment - Net	84,224	90,887
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>254,471</u>	<u>250,573</u>
 TOTAL ASSETS	 <u>\$ 387,113</u>	 <u>\$ 389,077</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Cash Overdraft	\$ 7,140	\$ -
Accounts Payable	22,530	17,931
Accrued Salaries and Vacation	64,908	78,235
Other Accrued Expense	30,182	21,832
Notes Payable	-	3,519
Line of Credit	1,910	2,215
Deferred Revenue	615	-
Funds Held for Others	7,259	1,238
Due to the City of St. Paul	88,783	88,783
Pension Liability	31,775	31,775
Total Current Liabilities	<u>255,102</u>	<u>245,528</u>
Net Assets:		
Unrestricted	(142,460)	(107,024)
Temporarily Restricted	20,000	-
Permanently Restricted	254,471	250,573
Total Net Assets	<u>132,011</u>	<u>143,549</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 387,113</u>	 <u>\$ 389,077</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, 2014 AND 2013

	2014			2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:							
United Way	\$ 226,008	\$ -	\$ -	\$ 226,008	\$ 12,500	\$ -	\$ 237,176
Governments Grants	274,317	-	-	274,317	-	-	254,293
Contributions	96,032	20,000	-	116,032	29,800	-	103,373
In-Kind Contributions	198,950	-	-	198,950	-	-	200,040
Program Service Fees	41,475	-	-	41,475	-	-	72,280
Rental Income	151,527	-	-	151,527	-	-	156,537
Investment Income	127	-	-	127	-	-	201
Other	1,448	-	-	1,448	-	-	1,918
Net Assets Released from Restrictions:							
Satisfaction of Program Restrictions	-	-	-	-	(42,300)	-	-
Total Support and Revenue	989,884	20,000	-	1,009,884	(42,300)	-	1,025,818
Expense:							
Program Services:							
Children and Youth	348,267	-	-	348,267	-	-	347,936
Family Services	314,220	-	-	314,220	-	-	310,289
Facilities	120,132	-	-	120,132	-	-	115,687
Total Program Services	782,619	-	-	782,619	-	-	773,912
Support Services:							
Management and General	192,871	-	-	192,871	-	-	210,441
Fund Raising	59,659	-	-	59,659	-	-	41,660
Total Support Services	252,530	-	-	252,530	-	-	252,101
Total Expense	1,035,149	-	-	1,035,149	-	-	1,026,013
Change in Net Assets From Operations	(45,265)	20,000	-	(25,265)	(195)	-	(195)
Other Changes in Net Assets:							
Change in Value of Beneficial Interest in Assets Held at the St. Paul Foundation	9,829	-	3,898	13,727	-	26,672	36,508
Change in Net Assets	(35,436)	20,000	3,898	(11,538)	9,836	26,672	36,313
Net Assets - Beginning of Year	(107,024)	-	250,573	143,549	(116,665)	223,901	107,236
Net Assets - End of Year	\$ (142,460)	\$ 20,000	\$ 254,471	\$ 132,011	\$ (107,024)	\$ 250,573	\$ 143,549

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, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014					2013		
	Program Services			Support Services		Total	Total	Total
	Children & Youth	Family Services	Facilities	Program Services	Admini- stration	Fund Raising	Support Services	All Services
Salaries	\$ 237,415	\$ 70,589	\$ 71,389	\$ 379,393	\$ 69,716	\$ 45,531	\$ 115,247	\$ 485,037
Employee Benefits	7,870	2,267	2,245	12,382	31,607	1,354	32,961	36,646
Payroll Taxes	34,117	10,189	9,852	54,158	9,638	6,361	15,999	53,949
Total Personnel Costs	279,402	83,045	83,486	445,933	110,961	53,246	164,207	575,632
Participant	31,489	222,016	25	253,530	-	-	-	251,254
Occupancy	19,231	4,644	33,850	57,725	10,512	-	10,512	68,237
Professional Fees	6,570	328	-	6,898	54,917	-	54,917	74,139
Office	2,856	933	886	4,675	3,887	2,484	6,371	18,373
Telecommunication	3,110	857	751	4,718	5,790	215	6,005	10,616
Other	1,152	359	5	1,516	4,620	38	4,658	6,399
Staff & Volunteer	688	606	-	1,294	1,203	2,917	4,120	6,369
Transportation	570	481	167	1,218	42	146	188	5,487
Depreciation and Amortization	3,199	951	962	5,112	939	613	1,552	6,719
Total Expense	\$ 348,267	\$ 314,220	\$ 120,132	\$ 782,619	\$ 192,871	\$ 59,659	\$ 252,530	\$ 1,026,013

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, 2013

	Program Services				Support Services			Total All Services
	Children & Youth	Family Services	Facilities	Total Program Services	Admini- stration	Fund Raising	Total Support Services	
Salaries	\$ 242,906	\$ 66,245	\$ 69,477	\$ 378,628	\$ 74,360	\$ 32,049	\$ 106,409	\$ 485,037
Employee Benefits	8,582	1,433	2,962	12,977	21,858	1,811	23,669	36,646
Payroll Taxes	23,084	5,486	7,138	35,708	14,464	3,777	18,241	53,949
Total Personnel Costs	274,572	73,164	79,577	427,313	110,682	37,637	148,319	575,632
Participant	30,632	220,525	97	251,254	-	-	-	251,254
Occupancy	23,378	5,941	30,482	59,801	11,224	-	11,224	71,025
Professional Fees	2,638	4,553	-	7,191	66,948	-	66,948	74,139
Office	7,786	2,298	1,360	11,444	4,643	2,286	6,929	18,373
Telecommunication	3,065	895	740	4,700	5,705	211	5,916	10,616
Other	1,046	621	3	1,670	4,403	326	4,729	6,399
Staff & Volunteer	772	81	72	925	4,688	756	5,444	6,369
Transportation	682	1,293	2,394	4,369	1,118	-	1,118	5,487
Depreciation and Amortization	3,365	918	962	5,245	1,030	444	1,474	6,719
Total Expense	\$ 347,936	\$ 310,289	\$ 115,687	\$ 773,912	\$ 210,441	\$ 41,660	\$ 252,101	\$ 1,026,013

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (11,538)	\$ 36,313
Total Adjustments	<u>(2,693)</u>	<u>(38,634)</u>
Net Cash (Used) by Operating Activities	<u>(14,231)</u>	<u>(2,321)</u>
Cash Flows from Investing Activities:		
Pay Out from Beneficial Interests in Asset Held at the St. Paul Foundation	<u>9,829</u>	<u>9,837</u>
Net Cash Provided by Investing Activities	<u>9,829</u>	<u>9,837</u>
Cash Flows from Financing Activities:		
Payments on Notes Payable	(3,519)	(19,200)
Net Payments on Line of Credit	<u>(306)</u>	<u>(355)</u>
Net Cash (Used) by Financing Activities	<u>(3,825)</u>	<u>(19,555)</u>
Net (Decrease) in Cash	(8,227)	(12,039)
Cash - Beginning of Year	<u>10,418</u>	<u>22,457</u>
Cash - End of Year	<u>\$ 2,191</u>	<u>\$ 10,418</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 460</u>	<u>\$ 510</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, 2014 AND 2013

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, 2014 AND 2013

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, 2014 AND 2013

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.

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, 2014 AND 2013

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, 2011 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 14, 2015, which is the date financial statements were available to be issued.

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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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,

	2014			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 254,471</u>	<u>\$ -</u>	<u>\$ 254,471</u>
	2013			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 250,573</u>	<u>\$ -</u>	<u>\$ 250,573</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. Endowment and Reserves Fund

Description

Endowment and Reserves funds consist of permanently restricted and board designated funds established for the 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, 2014 AND 2013

4. Endowment and Reserves Fund (continued)

Endowment and Reserves Net Asset Composition by Type of Fund

December 31, 2013	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ -	\$ 250,573	\$ 250,573
December 31, 2014	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	\$ -	\$ -	\$ 254,471	\$ 254,471

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets December 31, 2012	\$ -	\$ -	\$ 223,901	\$ 223,901
Investment Return:				
Investment Income	-	-	3,753	3,753
Unrealized Gain (Loss)	-	-	35,200	35,200
Total Investment Return	-	-	38,953	38,953
Appropriation for Expenditure	-	-	(9,837)	(9,837)
Administration Fees	-	-	(2,444)	(2,444)
Net Assets December 31, 2013	-	-	250,573	250,573
Investment Return:				
Investment Income	-	-	4,088	4,088
Unrealized Gain (Loss)	-	-	12,012	12,012
Total Investment Return	-	-	16,100	16,100
Appropriation for Expenditure	-	-	(9,829)	(9,829)
Administration Fees	-	-	(2,373)	(2,373)
Net Assets December 31, 2014	\$ -	\$ -	\$ 254,471	\$ 254,471

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

5. Property and Equipment

The Organization owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2014</u>	<u>2013</u>	
Land	\$ 4,203	\$ 4,203	
Property Rights	530,165	530,165	40 years
Land Improvements	34,325	34,325	20 years
Leasehold Improvements	418,860	418,860	5-20 years
Furniture and Equipment	165,470	165,470	2-10 years
Vehicles	<u>80,617</u>	<u>80,617</u>	5-7 years
	1,233,640	1,233,640	
Less Accumulated Depreciation And Amortization	<u>1,149,416</u>	<u>1,142,753</u>	
	<u>\$ 84,224</u>	<u>\$ 90,887</u>	

Depreciation and Amortization expense of \$6,664 and \$6,719 was recorded for the years ended December 31, 2014 and 2013, respectively.

6. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
In 2011, the Organization settled a claim with the State of Minnesota for \$43,019 including penalty. The amount is non-interest bearing. Principal only payments of \$1,500 are made monthly with the last payment due March 2014.	\$ -	\$ 3,519
Less Portion Due Within One (1) Year	<u>-</u>	<u>3,519</u>
Long-term Portion	<u>\$ -</u>	<u>\$ -</u>

7. 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 \$1,910 and \$2,215 as of December 31, 2014 and 2013, respectively.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

8. 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,	
	2014	2013
Food and Supplies	\$ 198,950	\$ 200,040

9. Lease Agreement

The Organization leases program and office space to a tenant under a noncancelable lease. Rental commitments in effect at December 31, 2014, total \$569,258. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2015	\$ 148,502
2016	148,502
2017	148,502
2018	123,752
	\$ 569,258

The rental income was \$151,527 and \$156,537, for the years ended December 31, 2014 and 2013, respectively.

10. Temporarily Restricted Net Assets

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

	December 31,	
	2014	2013
Capital Improvements	\$ 20,000	\$ -

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11. 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 approximate 1,400 participants, 2.15% 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, 2014 is as follows:

	December 31,	
	2014	2013
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 our participation in the multiemployer defined benefit pension plan:

	December 31,	
	2014	2013
Legal Plan Name	Twin Cities Nonprofit Partners Pension Plan	
EIN/Plan Number	41-1973442/333	
Pension Protection Act % Funded	113%	97%
Contributions by Hallie Q. Brown	\$ 25,460	\$ 23,540
Contributions as a Percent of Total Contributed	.29%	.14%
Rehabilitation Plan Status	na	na

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12. Cash Flow Operating Adjustments

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

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Depreciation and Amortization	\$ 6,664	\$ 6,719
Change in Value of Beneficial Interest		
In Assets Held at the St. Paul Foundation	(13,727)	(36,509)
Increases (Decreases) in Current Liabilities:		
Cash Overdraft	7,140	
Accounts Payable	4,599	(22,435)
Accrued Salaries and Vacation	(13,327)	29,793
Other Accrued Expenses	8,350	(16,211)
Funds Held for Others	6,021	126
Deferred Revenue	615	(12,375)
Due to the City of. St Paul	-	15,313
Decreases (Increases) in Current Assets:		
Accounts Receivable	(4,187)	4,230
Grants Receivable	-	1,000
Prepaid Expenses	(4,841)	(8,285)
Total Adjustments	<u>\$ (2,693)</u>	<u>\$ (38,634)</u>