

Hallie Q. Brown Community Center, Inc.
St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2012 and 2011

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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 statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Hallie Q. Brown Community Center, Inc. were audited by other auditors whose report dated October 3, 2012, expressed an unqualified opinion on those 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

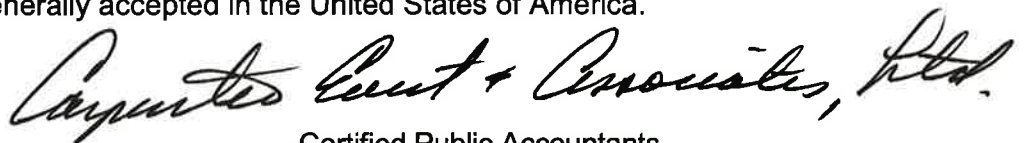
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Minneapolis, Minnesota
August 8, 2013

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$ 21,345	\$ 635
Restricted Cash	1,112	920
Accounts Receivable (net of allowance for doubtful accounts of \$0 and \$4,793 in 2012 and 2011, respectively)	15,324	27,672
Grants Receivable	1,000	9,000
Prepaid Expenses	17,820	7,524
Total Current Assets	<u>56,601</u>	<u>45,751</u>
Property and Equipment - Net	97,606	152,415
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>223,901</u>	<u>210,410</u>
 TOTAL ASSETS	 <u>\$ 378,108</u>	 <u>\$ 408,576</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Cash Overdrafts	\$ -	\$ 9,780
Accounts Payable	97,373	129,385
Accrued Salaries and Vacation	48,442	46,089
Other Accrued Expense	54,506	34,039
Notes Payable	18,000	18,000
Line of Credit	2,570	2,981
Deferred Revenue	12,375	-
Pension Liability	31,775	-
Funds Held for Others	1,112	920
Total Current Liabilities	<u>266,153</u>	<u>241,194</u>
Notes Payable	<u>4,719</u>	<u>22,019</u>
Total Liabilities	<u>270,872</u>	<u>263,213</u>
Net Assets:		
Unrestricted	(116,665)	(73,727)
Temporarily Restricted	-	5,000
Permanently Restricted	223,901	214,090
Total Net Assets	<u>107,236</u>	<u>145,363</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 378,108</u>	 <u>\$ 408,576</u>

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

EXHIBIT B

**HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012		2011					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
United Way	\$ 238,829	-	\$ -	\$ 238,829	\$ 323,385	\$ -	\$ -	\$ 323,385
Governments Grants	33,457	-	-	33,457	38,328	-	-	38,328
Contributions	55,364	30,000	-	85,364	95,408	5,000	-	100,408
In-Kind Contributions	326,731	-	-	326,731	147,690	-	-	147,690
Program Service Fees	189,454	-	-	189,454	150,150	-	-	150,150
Rental Income	177,673	-	-	177,673	131,260	-	-	131,260
Investment Income	97	-	-	97	4,070	-	-	4,070
Other	-	-	-	-	528	-	-	528
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	35,000	(35,000)	-	-	-	-	-	-
Total Support and Revenue	1,056,605	(5,000)	-	1,051,605	890,819	5,000	-	895,819
Expense:								
Program Services:								
Children and Youth	289,762	-	-	289,762	242,481	-	-	242,481
Family Services	468,043	-	-	468,043	303,401	-	-	303,401
Facilities	55,907	-	-	55,907	58,983	-	-	58,983
Total Program Services	813,712	-	-	813,712	604,865	-	-	604,865
Support Services:								
Management and General	302,273	-	-	302,273	309,090	-	-	309,090
Total Expense	1,115,985	-	-	1,115,985	913,955	-	-	913,955
Change in Net Assets From Operations	(59,380)	(5,000)	-	(64,380)	(23,136)	5,000	-	(18,136)
Other Changes in Net Assets:								
Change in Value of Beneficial Interest in Assets Held at the St. Paul Foundation	16,442	-	9,811	26,253	-	-	(527)	(527)
Change in Net Assets	(42,938)	(5,000)	9,811	(38,127)	(23,136)	5,000	(527)	(18,663)
Net Assets - Beginning of Year	(73,727)	5,000	214,090	145,363	(50,591)	-	214,617	164,026
Net Assets - End of Year	\$ (116,665)	\$ -	\$ 223,901	\$ 107,236	\$ (73,727)	\$ 5,000	\$ 214,090	\$ 145,363

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

EXHIBIT C

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	2012				2011	
	Program Services			Total Program Services	Support Services	
	Children & Youth	Family Services	Facilities		Admini- stration	Total All Services
Salaries	\$ 159,089	82,262	\$ 34,908	\$ 276,259	\$ 141,573	\$ 417,832
Employee Benefits	21,142	10,932	4,639	36,713	17,928	54,641
Payroll Taxes	12,394	6,408	2,719	21,521	10,509	32,030
Total Personnel Costs	<u>192,625</u>	<u>99,602</u>	<u>42,266</u>	<u>334,493</u>	<u>170,010</u>	<u>504,503</u>
Participant	23,640	336,268	-	359,908	-	359,908
Occupancy	45,707	13,326	10,752	69,785	22,014	91,799
Professional Fees	5,121	-	-	5,121	46,796	51,917
Other	3,565	125	2,564	6,254	26,431	32,685
Office	50	180	325	555	10,448	11,003
Telecommunication	-	272	-	272	7,270	7,542
Transportation	784	-	-	784	1,035	1,819
Depreciation and Amortization	<u>18,270</u>	<u>18,270</u>	<u>-</u>	<u>36,540</u>	<u>18,269</u>	<u>54,809</u>
Total Expense	<u>\$ 289,762</u>	<u>\$ 468,043</u>	<u>\$ 55,907</u>	<u>\$ 813,712</u>	<u>\$ 302,273</u>	<u>\$ 1,115,985</u>
						<u>\$ 913,955</u>

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (38,127)	\$ (18,663)
Total Adjustments	<u>66,425</u>	<u>24,163</u>
Net Cash Provided by Operating Activities	28,298	5,500
Cash Flows from Investing Activities:		
Pay Out from Beneficial Interests in Asset Held at the St. Paul Foundation	<u>10,315</u>	<u>9,293</u>
Net Cash Provided by Investing Activities	10,315	9,293
Cash Flows from Financing Activities:		
Payments on Notes Payable	(17,300)	(16,000)
Payments on Line of Credit	<u>(411)</u>	<u>-</u>
Net Cash (Used) by Financing Activities	<u>(17,711)</u>	<u>(16,000)</u>
Net Increase (Decrease) in Cash	20,902	(1,207)
Cash - Beginning of Year	<u>1,555</u>	<u>2,762</u>
Cash - End of Year	<u>\$ 22,457</u>	<u>\$ 1,555</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, 2012 AND 2011

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 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, Inc. successfully operates a wide variety of programs, which specifically address the critical needs of community residents.

Hallie Q. Brown Community Center, Inc. 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 accredited a 4-star rating from ParentAware.

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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Family Services

Emergency Food Shelf and Clothing Closet – The 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.

Senior Programming – Hallie Q. Brown Community Center, Inc. currently serves as a gathering place for seniors to enhance their independence through a connection to services and activities. Community “Grandmothers” volunteer in the Early Learning Center to provide care and support to the children and other seniors volunteer in additional areas of the Center. Our Golden Agers and Retired Men’s Club meet monthly. We are in the process of expanding the services we offer to seniors at Hallie Q. Brown Community Center, Inc.

Other Family Services – In addition to the core programs of Hallie Q. Brown Community Center, Inc., 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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Hallie Q. Brown Community Center, Inc., the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and 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.

Investments

Hallie Q. Brown Community Center, Inc. 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. Accounts are stated net of the allowance for doubtful accounts of \$0 and \$4,793 at December 31, 2012 and 2011.

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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

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. Management considers fundraising expenses to be minimal and has included them in Administration.

Income Tax

Hallie Q. Brown Community Center, Inc. has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files an Return of Organization Exempt From Income Tax (Form 990) and an Exempt Organization Business Income Tax Return (Form 990-T). The returns for the years ending December 31, 2009 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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

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

Hallie Q. Brown Community Center, Inc. has evaluated the effect that subsequent events would have on the financial statements through August 8, 2013, which is the date financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

Hallie Q. Brown Community Center, Inc. provides services within the Twin Cities area. The amounts due for services provided are from individuals and organizations, substantially all of which are local.

3. Fair Value

Hallie Q. Brown Community Center, Inc. adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

3. Fair Value (continued)

The following is a summary of the inputs used to determine the fair value of the investments at December 31,

	2012			
	<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>\$ 223,901</u>	<u>\$ -</u>	<u>\$ 223,901</u>
	2011			
	<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>\$ 210,410</u>	<u>\$ -</u>	<u>\$ 210,410</u>

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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Endowment and Reserves Fund (continued)

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.

Endowment and Reserves Net Asset Composition by Type of Fund

December 31, 2011	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,410</u>	<u>\$ 210,410</u>
December 31, 2012	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,901</u>	<u>\$ 223,901</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Endowment and Reserves Fund (continued)

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets December 31, 2010	\$ -	\$ -	\$ 220,203	\$ 220,203
Investment Return:				
Investment Income	-	-	4,070	4,070
Unrealized Gain (Loss)	<u>-</u>	<u>-</u>	<u>(542)</u>	<u>(542)</u>
Total Investment Return	-	-	3,528	3,528
Appropriation for Expenditure	-	-	(10,821)	(10,821)
Administration Fees	<u>-</u>	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>
Net Assets December 31, 2011	-	-	210,410	210,410
Investment Return:				
Investment Income	-	-	22,375	22,375
Unrealized Gain (Loss)	<u>-</u>	<u>-</u>	<u>3,878</u>	<u>3,878</u>
Total Investment Return	-	-	26,253	26,253
Appropriation for Expenditure	-	-	(10,315)	(10,315)
Administration Fees	<u>-</u>	<u>-</u>	<u>(2,447)</u>	<u>(2,447)</u>
Net Assets December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,901</u>	<u>\$ 223,901</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

5. Property and Equipment

Hallie Q. Brown Community Center, Inc. owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2012</u>	<u>2011</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	175,627	2-10 years
Vehicles	80,617	80,617	5-7 years
	<u>1,233,640</u>	<u>1,243,797</u>	
Less Accumulated Depreciation And Amortization	<u>1,136,034</u>	<u>1,091,382</u>	
	<u>\$ 97,606</u>	<u>\$ 152,415</u>	

Depreciation and Amortization expense of \$54,809 and \$62,309 was recorded for the years ended December 31, 2012 and 2011, respectively.

6. Grants Receivable

The balance of grants receivable at December 31, 2012, is expected to be collected in the following year:

<u>Due in the Year Ending December 31,</u> 2013	<u>\$ 1,000</u>
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7. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</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.	\$ 22,019	\$ 40,019
Less Portion Due Within One (1) Year Long-term Portion	<u>18,000</u>	<u>18,000</u>
	<u>\$ 4,019</u>	<u>\$ 22,019</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2013	\$ 18,000
2014	<u>4,019</u>
Total	<u>\$ 22,019</u>

8. Line-of-Credit

Hallie Q. Brown Community Center, Inc. maintains an unsecured, \$10,000 reserve line-of-credit due on demand with US Bank. The line-of-credit balance was \$2,570 and \$2,981 as of December 31, 2012 and 2011, respectively.

9. Temporarily Restricted Net Assets

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

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Screening Enhancement Initiative	<u>\$ -</u>	<u>\$ 5,000</u>

10. In-kind Donations

Hallie Q. Brown Community Center, Inc. records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of December 31, 2012:

Food and Supplies	\$ 322,786
Rent	<u>3,945</u>
	<u>\$ 326,731</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

11. Lease Agreement

Hallie Q. Brown Community Center, Inc. leases program and office space to a tenant under a noncancelable lease. Rental commitments in effect at December 31, 2012, total \$952,889. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2013	\$ 148,502
2014	148,502
2015	148,502
2016	148,502
2017	148,502
2018 and thereafter	<u>210,379</u>
	<u>\$ 952,889</u>

The rental income was \$177,673 and \$131,260, for the years ended December 31, 2012 and 2011, respectively.

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

Hallie Q. Brown Community Center, Inc. participates in a multiemployer defined benefit pension plan in which 16 other agencies also participate. Of the approximate 1,400 participants, 2.15% are Hallie Q. Brown Community Center, Inc. employees. 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 GAAP 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, 2012 is as follows:

Pension Liability at December 31, 2011	\$ 21,721
2012 Required Contributions	21,620
2012 Payments	<u>(11,566)</u>
Pension Liability at December 31, 2012	<u>\$ 31,775</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
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12. Defined Benefit Plan – Twin Cities Nonprofit Partners Pension Plan (continued)

Hallie Q. Brown Community Center, Inc. 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.

During 2012, the plan name was changed from the Defined Benefit Pension Plan for the Employees of Greater Twin Cities United Way and Participating Affiliated Agencies to the Twin Cities Nonprofit Partners Pension Plan.

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

Legal Plan Name – Twin Cities Nonprofit Partners Pension Plan
EIN/Plan Number – 41-1973442/333
Pension Protection Act % Funded – 90%
Contributions in 2012 by the Organization -- \$11,566
Contributions as % of Total Contributed – 0.72%

In the year ended December 31, 2012, the plan's unfunded projected termination liability exceeded the fair market value of plan assets.. Hallie Q Brown Community Center Inc.'s share of the liability was \$472,167 at December 31, 2012.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
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13. 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>2012</u>	<u>2011</u>
Depreciation and Amortization	\$ 54,809	\$ 62,309
Realized and Unrealized (Gain) Loss on Beneficial Interest	(23,806)	527
Increases (Decreases) in Current Liabilities:		
Cash Overdraft	(9,780)	73
Accounts Payable	(32,012)	(2,977)
Pension Liability	31,775	-
Accrued Salaries and Vacation	2,353	-
Other Accrued Expenses	20,467	(7,816)
Funds Held for Others	192	(1,207)
Deferred Revenue	12,375	-
Decreases (Increases) in Current Assets:		
Accounts Receivable	12,348	(11,111)
Grants Receivable	8,000	(9,000)
Prepaid Expenses	(10,296)	(6,635)
Total Adjustments	<u>\$ 66,425</u>	<u>\$ 24,163</u>