

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

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2013 and 2012

Carpenter *Evert*
Certified Public Accountants



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Carpenter Evert

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, 2013 and 2012, and the related statements of activities, functional expenses, 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

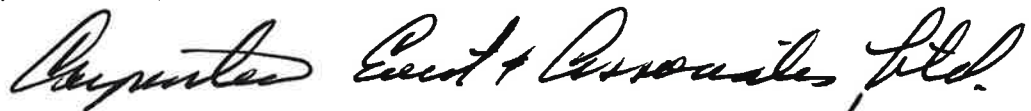
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2013 and 2012, 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
June 12, 2014

HALLIE Q. BROWN COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 10,418	\$ 22,457
Accounts Receivable	11,094	15,324
Grants Receivable	-	1,000
Prepaid Expenses	26,105	17,820
Total Current Assets	<u>47,617</u>	<u>56,601</u>
Property and Equipment - Net	90,887	97,606
Beneficial Interest in Assets Held at the St. Paul Foundation	250,573	223,901
TOTAL ASSETS	<u>\$ 389,077</u>	<u>\$ 378,108</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts Payable	\$ 122,027	\$ 97,373
Accrued Salaries and Vacation	78,235	48,442
Other Accrued Expense	6,519	54,506
Notes Payable	3,519	18,000
Line of Credit	2,215	2,570
Deferred Revenue	-	12,375
Pension Liability	31,775	31,775
Funds Held for Others	1,238	1,112
Total Current Liabilities	<u>245,528</u>	<u>266,153</u>
Notes Payable	-	4,719
Total Liabilities	<u>245,528</u>	<u>270,872</u>
Net Assets:		
Unrestricted	(107,024)	(116,665)
Permanently Restricted	250,573	223,901
Total Net Assets	<u>143,549</u>	<u>107,236</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 389,077</u>	<u>\$ 378,108</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, 2013 AND 2012

	2013			2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:							
United Way	\$ 224,676	\$ 12,500	\$ -	\$ 237,176	\$ -	\$ -	\$ 238,829
Governments Grants	254,293	-	-	254,293	-	-	33,457
Contributions	73,573	29,800	-	103,373	30,000	-	85,364
In-Kind Contributions	200,040	-	-	200,040	-	-	326,731
Program Service Fees	72,280	-	-	72,280	-	-	189,454
Rental Income	156,537	-	-	156,537	-	-	177,673
Investment Income	201	-	-	201	-	-	97
Other	1,918	-	-	1,918	-	-	-
Net Assets Released from Restrictions:							
Satisfaction of Program Restrictions	42,300	(42,300)	-	-	(35,000)	-	-
Total Support and Revenue	1,025,818	-	-	1,025,818	(35,000)	-	1,051,605
Expense:							
Program Services:							
Children and Youth	347,936	-	-	347,936	-	-	289,762
Family Services	310,289	-	-	310,289	-	-	468,043
Facilities	115,687	-	-	115,687	-	-	55,907
Total Program Services	773,912	-	-	773,912	-	-	813,712
Support Services:							
Management and General	210,441	-	-	210,441	-	-	302,273
Fund Raising	41,660	-	-	41,660	-	-	-
Total Support Services	252,101	-	-	252,101	-	-	302,273
Total Expense	1,026,013	-	-	1,026,013	-	-	1,115,985
Change in Net Assets From Operations	(195)	-	-	(195)	(5,000)	-	(64,380)
Other Changes in Net Assets:							
Change in Value of Beneficial Interest in Assets Held at the St. Paul Foundation	9,836	-	26,672	36,508	-	9,811	26,253
Change in Net Assets	9,641	-	26,672	36,313	(5,000)	9,811	(38,127)
Net Assets - Beginning of Year	(116,665)	-	223,901	107,236	5,000	214,090	145,363
Net Assets - End of Year	\$ (107,024)	\$ -	\$ 250,573	\$ 143,549	\$ -	\$ 223,901	\$ 107,236

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, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013						2012		
	Program Services			Support Services			Total All Services	Total All Services	Total All Services
	Children & Youth	Family Services	Facilities	Total Program Services	Admini- stration	Fund Raising			
Salaries	\$ 242,906	\$ 66,245	\$ 69,477	\$ 378,628	\$ 74,360	\$ 32,049	\$ 106,409	\$ 485,037	\$ 417,832
Employee Benefits	8,582	1,433	2,962	12,977	21,858	1,811	23,669	36,646	54,641
Payroll Taxes	23,084	5,486	7,138	35,708	14,464	3,777	18,241	53,949	32,030
Total Personnel Costs	274,572	73,164	79,577	427,313	110,682	37,637	148,319	575,632	504,503
Participant	30,632	220,525	97	251,254	-	-	-	251,254	359,908
Professional Fees	2,638	4,553	-	7,191	66,948	-	66,948	74,139	51,917
Occupancy	23,378	5,941	30,482	59,801	11,224	-	11,224	71,025	91,799
Office	7,786	2,298	1,360	11,444	4,643	2,286	6,929	18,373	11,003
Telecommunication	3,065	895	740	4,700	5,705	211	5,916	10,616	7,542
Other	1,046	621	3	1,670	4,403	326	4,729	6,399	32,685
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	1,819
Depreciation and Amortization	3,365	918	962	5,245	1,030	444	1,474	6,719	54,809
Total Expense	\$ 347,936	\$ 310,289	\$ 115,687	\$ 773,912	\$ 210,441	\$ 41,660	\$ 252,101	\$ 1,026,013	\$ 1,115,985

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, 2012

	Program Services			Total Program Services	Support Services		Total All Services
	Children & Youth	Family Services	Facilities		Admini- stration		
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	192,625	99,602	42,266	334,493	170,010	504,503	
Participant	23,640	336,268	-	359,908	-	359,908	
Professional Fees	5,121	-	-	5,121	46,796	51,917	
Occupancy	45,707	13,326	10,752	69,785	22,014	91,799	
Office	50	180	325	555	10,448	11,003	
Telecommunications	-	272	-	272	7,270	7,542	
Other	3,565	125	2,564	6,254	26,431	32,685	
Transportation	784	-	-	784	1,035	1,819	
Depreciation and Amortization	18,270	18,270	-	36,540	18,269	54,809	
Total Expense	\$ 289,762	\$ 468,043	\$ 55,907	\$ 813,712	\$ 302,273	\$ 1,115,985	

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 36,313	\$ (38,127)
Total Adjustments	<u>(38,634)</u>	<u>66,425</u>
Net Cash Provided (Used) by Operating Activities	(2,321)	28,298
Cash Flows from Investing Activities:		
Pay Out from Beneficial Interests in Asset Held at the St. Paul Foundation	<u>9,837</u>	<u>10,315</u>
Net Cash Provided by Investing Activities	9,837	10,315
Cash Flows from Financing Activities:		
Payments on Notes Payable	(19,200)	(17,300)
Net Payments on Line of Credit	<u>(355)</u>	<u>(411)</u>
Net Cash (Used) by Financing Activities	<u>(19,555)</u>	<u>(17,711)</u>
Net Increase (Decrease) in Cash	(12,039)	20,902
Cash - Beginning of Year	<u>22,457</u>	<u>1,555</u>
Cash - End of Year	<u>\$ 10,418</u>	<u>\$ 22,457</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 510</u>	<u>\$ 1,033</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, 2013 AND 2012

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 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.

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.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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. 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 the Organization

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, 2013 AND 2012

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. In 2012, management considers fundraising expenses to be minimal and has included them in Administration.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2010 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 June 12, 2014, 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 which are local.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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,

	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>
	2012			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held at the St. Paul Foundation	<u>\$ -</u>	<u>\$ 223,901</u>	<u>\$ -</u>	<u>\$ 223,901</u>

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013 AND 2012

4. Endowment and Reserves Fund (continued)

Endowment and Reserves Net Asset Composition by Type of Fund

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	\$ -	\$ -	\$ 223,901	\$ 223,901
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

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets December 31, 2011	\$ -	\$ -	\$ 210,410	\$ 210,410
Investment Return:				
Investment Income	-	-	22,375	22,375
Unrealized Gain (Loss)	-	-	3,878	3,878
Total Investment Return	-	-	26,253	26,253
Appropriation for Expenditure	-	-	(10,315)	(10,315)
Administration Fees	-	-	(2,447)	(2,447)
Net Assets December 31, 2012	-	-	223,901	223,901
Investment Return:				
Investment Income	-	-	35,200	35,200
Unrealized Gain (Loss)	-	-	3,753	3,753
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

HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

5. Property and Equipment

The Organization owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2013</u>	<u>2012</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>1,142,753</u>	<u>1,136,034</u>	
	<u>\$ 90,887</u>	<u>\$ 97,606</u>	

Depreciation and Amortization expense of \$6,719 and \$54,809 was recorded for the years ended December 31, 2013 and 2012, respectively.

6. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</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	\$ 22,019
Less Portion Due Within One (1) Year	<u>3,519</u>	<u>18,000</u>
Long-term Portion	<u>\$ -</u>	<u>\$ 4,019</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u> 2014	<u>\$ 3,519</u>
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HALLIE Q. BROWN COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

7. Line-of-Credit

The Organization maintains an unsecured, \$10,000 reserve line-of-credit due on demand with US Bank. The line-of-credit balance was \$2,215 and \$2,570 as of December 31, 2013 and 2012, respectively.

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, 2013:

	December 31,	
	2013	2012
Food and Supplies	\$ 200,040	\$ 322,786
Rent	-	3,945
	\$ 200,040	\$ 326,731

9. Lease Agreement

The Organization leases program and office space to a tenant under a noncancelable lease. Rental commitments in effect at December 31, 2013, total \$717,760. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2014	148,502
2015	148,502
2016	148,502
2017	148,502
2018	123,752
	\$ 717,760

The rental income was \$148,502 and \$177,673, for the years ended December 31, 2013 and 2012, respectively.

HALLIE Q. BROWN COMMUNITY CENTER, INC.
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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 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 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, 2013 is as follows:

	December 31,	
	2013	2012
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,	
	2013	2012
Legal Plan Name	Twin Cities Nonprofit Partners Pension Plan	
EIN/Plan Number	41-1973442/333	
Pension Protection Act % Funded	97%	90%
Contributions by Hallie Q. Brown	\$ 23,540	\$ 11,566
Contributions as a Percent of Total Contributed	.14%	.072%
Rehabilitation Plan Status	na	na

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11. 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>2013</u>	<u>2012</u>
Depreciation and Amortization	\$ 6,719	\$ 54,809
Realized and Unrealized (Gain) Loss on Beneficial Interest	(36,509)	(23,806)
Increases (Decreases) in Current Liabilities:		
Cash Overdraft	-	(9,780)
Accounts Payable	24,654	(32,012)
Pension Liability	-	31,775
Accrued Salaries and Vacation	29,793	2,353
Other Accrued Expenses	(47,987)	20,467
Funds Held for Others	126	192
Deferred Revenue	(12,375)	12,375
Decreases (Increases) in Current Assets:		
Accounts Receivable	4,230	12,348
Grants Receivable	1,000	8,000
Prepaid Expenses	(8,285)	(10,296)
Total Adjustments	<u>\$ (38,634)</u>	<u>\$ 66,425</u>