SOUTHSIDE FAMILY NURTURING CENTER

Financial Statements

December 31, 2016

Southside Family Nurturing Center

SOUTHSIDE FAMILY NURTURING CENTER

Table of Contents

Independent Auditor's Report... 1-2

Statements of Financial Position..3

Statement of Activities 4

Statement of Functional Expenses...5

Statements of Cash Flows..6

Notes to the Financial Statements...7 – 12

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southside Family Nurturing Center
Minneapolis, Minnesota

We have audited the accompanying financial statements of Southside Family Nurturing Center, which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses, and cash flows for the year 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 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.

INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southside Family Nurturing Center as of December 31, 2016 and the change 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.

Report on Summarized Comparative Information

We have previously audited Southside Family Nurturing Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

March 28, 2017

Akins Henke and Company

SOUTHSIDE FAMILY NURTURING CENTER

Statements of Financial Position

December 31, 2016 and 2015

ASSETS

		2016	2015
Current Assets:			
Cash	$	173,103	86,229
Accounts receivable		12,926	8,221
Promises to give		75,000	262,500
Prepaid expenses		3,915	22,371
Loan costs, net		1,284	1,463
Total Current Assets		266,228	380,784
Loan costs, net		3,544	4,175
Unemployment trust funds		45,654	45,718
Land, building and equipment, net		1,266,875	1,307,006
TOTAL ASSETS	$	1,582,301	1,737,683

LIABILITIES AND NET ASSETS

		2016	2015
Current Liabilities:			
Accounts payable	$	10,309	13,963
Note payable		11,676	11,147
Capital lease		5,451	5,170
Accrued wages and payroll taxes		18,858	19,199
Accrued vacation and payroll taxes		18,523	15,256
Accrued interest		579	630
Total Current Liabilities		65,396	65,365
Capital lease		26,337	31,788
Note payable		301,501	313,139
Total Liablities		393,234	410,292
Net Assets:			
Unrestricted net assets		1,047,692	1,227,391
Temporarily restricted net assets		141,375	100,000
Total Net Assets		1,189,067	1,327,391
TOTAL LIABILITIES AND NET ASSETS	$	1,582,301	1,737,683

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER
Statement of Activities
For the Year Ended December 31, 2016
With Comparative Totals for 2015

		Unrestricted	Temporarily Restricted	Total 2016	Total 2015
SUPPORT AND REVENUE:					
Contributions:					
United Way	$	200,000	75,000	275,000	272,614
Corporations and foundations		102,470	26,000	128,470	656,836
Churches and civic groups		10,330	-	10,330	18,120
Individuals		128,845	-	128,845	103,412
In-kind goods and services		1,895	-	1,895	645
Total Contributions		443,540	101,000	544,540	1,051,627
Special fundraising event		10,960	13,010	23,970	-
Less costs of direct benefits to donors		(4,807)	-	(4,807)	-
Total Special Event		6,153	13,010	19,163	-
State of Minnesota scholarships		60,675	-	60,675	18,047
Program service fees		31,091	-	31,091	-
Events		33,434	-	33,434	30,061
Rental income		1,275	-	1,275	3,488
Miscellaneous		353	-	353	8,302
Total Support and Revenue		576,521	114,010	690,531	1,111,525
NET ASSETS RELEASED FROM RESTRICTIONS:					
Restrictions satisfied by program expenditures		72,635	(72,635)	-	-
EXPENSES:					
Program		640,207	-	640,207	624,293
Management and general		103,650	-	103,650	108,869
Fundraising		84,998	-	84,998	93,781
Total Expenses		828,855	-	828,855	826,943
CHANGE IN NET ASSETS		(179,699)	41,375	(138,324)	284,582
NET ASSETS - BEGINNING OF YEAR		1,227,391	100,000	1,327,391	1,042,809
NET ASSETS - END OF YEAR	$	1,047,692	141,375	1,189,067	1,327,391

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER
Statement of Functional Expenses
For the Year Ended December 31, 2016
With Comparative Totals For 2015

	Education Program	Management and General	Fundraising	Total 2016	Total 2015
Salaries	$ 321,596	41,759	49,869	413,224	440,240
Payroll taxes and unemployment expense	24,297	3,155	3,768	31,220	34,460
Employee benefits	52,330	9,254	6,924	68,508	72,534
Total Personnel Costs	398,223	54,168	60,561	512,952	547,234
Contract services	56,645	15,418	15,065	87,128	36,332
Program supplies and activities	24,758	-	-	24,758	24,367
Office supplies	1,794	479	120	2,393	3,241
Meal program	10,871	-	-	10,871	16,370
Legal and accounting	6,765	1,804	451	9,020	8,798
Training	10,688	-	-	10,688	4,782
Telephone and technology	11,945	3,185	795	15,925	15,672
Utilities	10,158	2,708	677	13,543	13,249
Insurance	14,105	3,761	940	18,806	18,795
Maintenance and repairs	21,359	5,696	1,424	28,479	39,518
Transportation	13,495	-	-	13,495	12,772
Equipment rent and maintenance	6,388	1,705	426	8,519	9,219
Public relations	-	589	1,005	1,594	2,550
Interest	11,714	3,123	781	15,618	16,891
Miscellaneous	3,419	912	228	4,559	7,408
Depreciation	36,853	9,828	2,457	49,138	48,282
Amortization of loan costs	1,027	274	68	1,369	1,463
Total Expenses	$ 640,207	103,650	84,998	828,855	826,943

See accompanying notes to the financial statements.

SOUTHSIDE FAMILY NURTURING CENTER

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

		2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Change in Net Assets	$	(138,324)	284,582
Adjustments to reconcile change in net assets to Net cash provided by operating activities:			
Depreciation		49,138	48,282
Amortization of loan costs		1,369	1,463
Loss on disposal of equipment		-	166
Change in Assets and Liabilities:			
Increase in accounts receivable		(4,705)	(7,028)
Decrease (increase) in promises to give		187,500	(262,500)
Decrease (increase) in prepaid expenses		18,456	(14,654)
Decrease in unemployement trust funds		64	5,034
Decrease in accounts payable		(3,654)	(1,029)
Decrease in accrued wages and payroll taxes		(341)	(2,849)
Increase (decrease) in accrued vacation and payroll taxes		3,267	(8,151)
Decrease in accrued interest		(51)	(34)
Net Cash Provided By Operating Activities		112,719	43,282
CASH FLOWS USED FOR INVESTING ACTIVITIES:			
Purchase of equipment		(9,007)	(25,459)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:			
Proceeds from line of credit		10,000	60,000
Principal payments on line of credit		(10,000)	(60,000)
Principal payments on notes payable		(11,109)	(10,714)
Principal payments on capital lease		(5,170)	(4,903)
Loan closing costs		(559)	-
Net Cash Used For Financing Activities		(16,838)	(15,617)
NET INCREASE IN CASH		86,874	2,206
CASH - BEGINNING OF YEAR		86,229	84,023
CASH - END OF YEAR	$	173,103	86,229

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash is defined as cash in checking, savings, and cash on hand.

Cash paid for interest in 2016 and 2015 was $15,669 and $16,925, respectively.

See accompanying notes to the financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose

Mission: "Together with families and community, we nurture children, build on family strengths, and find alternatives to violence."

Southside Family Nurturing Center (the Center) serves children and families at-risk for abuse and neglect by providing a therapeutic center in the Phillips neighborhood of Minneapolis. The Center is primarily supported by private and family foundations, the Greater Twin Cities United Way, and individual donors.

The Center's programs are as follows:

Education – Includes the early childhood education program which is a multi-cultural therapeutic pre-school program that serves children ages 16 months to 5 years, with a focus on helping each child develop healthy social/emotional, motor, self-regulation, and developmental skills, as well as academic kindergarten readiness skills.

Home Based Family Support – Provides supportive home visiting services to all families whose children are enrolled in the center based education program. The program seeks to prevent abuse and neglect at the earliest stage possible by promoting nurturing parenting, skill development, individualized goal planning, and access to community support services related to education, housing, healthcare, and legal issues. Eligible participants are referred from many sources including county social services, community agencies, and by current clients.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted - Resources over which the board of directors has discretionary control.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Center, or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that will be maintained permanently by the Center. As of December 31, 2016 and 2015, the Center had no permanently restricted net assets.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Unrestricted, Temporarily Restricted and Permanently Restricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and then released from restriction.

Program Fees

The Center bills the State of Minnesota and other agencies for services provided as part of its missions. The Center records such billings a revenue when the services are provided.

Accounts Receivable

Accounts receivable consist of amounts owed to the Center by various companies. Management performs periodic reviews of the collectability of these amounts and establishes allowances accordingly. At December 31, 2016 and 2015, accounts receivable are considered fully collectible and accordingly, no allowance for doubtful accounts is provided.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or decreases of expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Land, Building and Equipment

All major expenditures in excess of $500 for land, building, and equipment are capitalized at cost. Contributed items are recorded at fair value at the date of the donation. Depreciation is provided using the straight-line method over 5 to 40 years for building and improvements, and over 5 to 10 years for equipment.

Loan Costs

The Center capitalizes loan closing costs and amortizes the costs over the life of the loan. Amortization relating to these loan closing costs was $1,369 and $1,463, respectively, for 2016 and 2015.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Unemployment

The Center has elected to self-insure unemployment claims. The Center makes contributions to Unemployment Services Trust, which is a pooled fund used to pay unemployment claims made against the Center. As claims are paid out of the Center's fund, an expense is recorded on the Statement of Activities. There was no unemployment expense for 2016 or 2015. At December 31, 2016 and 2015, the Center had a surplus balance in its account with Unemployment Services Trust due to no unemployment claims.

Contributed Services

The Center receives various donated services by board members, faculty, and other volunteers. Such services are not valued or included in the financial statements as their fair value is undeterminable. During 2016, the Center received donated accounting services totaling $997. There were no in-kind services received in 2015.

Events

During 2016 and 2015, concerts were held in which the proceeds were donated to the Center. Such events are recorded as event revenue on the Statement of Activities. In addition, the Center held a special fundraising event during 2016 which is recorded as a separate fundraising event on the Statement of Activities.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

The Center has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. 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.

It is the policy of the Center, in accordance with U.S. GAAP, to assess any uncertain tax positions and, if necessary, record a tax asset or liability, and the related income tax expense, for any uncertain tax positions. Management has analyzed the tax positions taken by the Center and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

The Center maintains checking and savings accounts at one financial institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2016 and 2015, the Center had no uninsured balances.

Concentrations of Credit Risk Due to Accounts Receivable and Promises to Give

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of accounts receivable and promises to give. As of December 31, 2016 and 2015, approximately 92% and 88%, respectively, of the Center's promises to give and accounts receivable are from two organizations. Management believes concentrations of credit risk with respect to accounts receivable and promises to give are limited due to the nature of the accounts receivable and promises to give. Receivables and promises to give predominantly consist of amounts owed by governmental agencies and foundations. As of December 31, 2016 and 2015, management believes the Center had no significant concentrations of credit risk.

Concentrations of Contributions

During 2016 and 2015, approximately 50% and 65%, respectively, of the Center's total revenue came from two organizations.

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Reclassification

Certain 2015 amounts have been reclassified for comparability purposes with those of 2016.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through March 28, 2017, the date which the financial statements were available for issue.

(2) LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following as of December 31, 2016 and 2015:

	2016	2015
Building and Improvements	$ 2,057,291	2,050,783
Land	5,000	5,000
Furniture and Equipment	115,198	112,699
	2,177,489	2,168,482
Less Accumulated Depreciation	(910,614)	(861,476)
	$ 1,266,875	1,307,006

(3) RETIREMENT PLAN

The Center has a 403(b) plan (the plan) in which employees can defer contributions to the plan. The Center did not contribute to the plan during 2016 or 2015.

(4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
Therapy enhancement	$ 100,985	75,000
Domestic violence initiative	27,380	25,000
Furnace	13,010	-
Total	$ 141,375	100,000

(5) LEASES

The Center has an operating lease agreements for a copier and a bus. Rent expense under these leases was $15,527 and $15,200 for 2016 and 2015, respectively.

Future rental payments under these leases are as follows:

2017	$ 11,497
2018	7,008
Total	$ 18,505

(5) **LEASES, (continued)**

The Center has a capital lease for an additional bus. At December 31, 2016 and 2015, furniture and equipment includes a bus under capital lease for $47,636. Depreciation related to the capital lease was $4,764 for both 2016 and 2015. Accumulated depreciation at December 31, 2016 and 2015 was $15,880 and $11,116, respectively. The minimum payments under the capital lease are as follows:

2017	$ 7,008
2018	27,407
	34,415
Less interest	(2,627)
Net minimum lease payment	$ 31,788

(6) **NOTES PAYABLE**

On December 18, 2014, the Center entered into a promissory note with an original balance of $335,000 and a maturity date of December 18, 2021. The note calls for monthly payments of principal and interest of $2,078 and an estimated final payment of principal and interest of $251,506 at maturity. The interest rate is fixed at 4.25% for five years, at which time the interest rate becomes a variable rate of prime plus 1.0%. The note is secured by a mortgage on the property of the Center.

Future principal payments on the note are as follows:

2017	$ 11,676
2018	12,190
2019	12,725
2020	13,251
2021	263,335
Total	$ 313,177

(7) **LINE OF CREDIT**

The Center has a line of credit with a maximum limit of $80,000. The line of credit matures on June 18, 2017. The line of credit calls for monthly payments of interest and payment of any outstanding principal and interest on the maturity date. The interest rate is a variable interest rate of prime plus 0.5% and was 4.25% as of December 31, 2016. The line of credit is secured by all business assets of the Center.