

SOUTHSIDE FAMILY NURTURING CENTER

Financial Statements

December 31, 2017



Southside Family Nurturing Center

SOUTHSIDE FAMILY NURTURING CENTER

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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, 2017 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 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.

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, 2017 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 24, 2018

Akins Henke and Company

SOUTHSIDE FAMILY NURTURING CENTER

Statements of Financial Position

December 31, 2017 and 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-----------------------------------|--------------------------------|
| Current Assets: | | |
| Cash | \$ 459,629 | 173,103 |
| Accounts receivable | 7,447 | 12,926 |
| Promises to give | 204,820 | 75,000 |
| Prepaid expenses | 3,930 | 3,915 |
| Loan costs, net | 967 | 1,284 |
| Total Current Assets | <u>676,793</u> | <u>266,228</u> |
| Loan costs, net | 2,759 | 3,544 |
| Unemployment trust funds | 32,614 | 45,654 |
| Promises to give | 197,037 | - |
| Land, building and equipment, net | <u>1,243,729</u> | <u>1,266,875</u> |
| TOTAL ASSETS | <u><u>\$ 2,152,932</u></u> | <u><u>1,582,301</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|---|-----------------------------------|--------------------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 10,537 | 10,309 |
| Note payable | 12,190 | 11,676 |
| Capital lease | 26,336 | 5,451 |
| Accrued wages and payroll taxes | 23,543 | 18,858 |
| Accrued vacation and payroll taxes | 15,216 | 18,523 |
| Accrued interest | 557 | 579 |
| Total Current Liabilities | <u>88,379</u> | <u>65,396</u> |
| Capital lease | - | 26,337 |
| Note payable | <u>289,276</u> | <u>301,501</u> |
| Total Liabilities | <u>377,655</u> | <u>393,234</u> |
| Net Assets: | | |
| Unrestricted net assets | 1,300,933 | 1,047,692 |
| Temporarily restricted net assets | 474,344 | 141,375 |
| Total Net Assets | <u>1,775,277</u> | <u>1,189,067</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 2,152,932</u></u> | <u><u>1,582,301</u></u> |

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Statement of Activities

For the Year Ended December 31, 2017

With Comparative Totals for 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total 2017</u> | <u>Total 2016</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUE: | | | | |
| Contributions: | | | | |
| United Way | \$ 195,000 | 25,000 | 220,000 | 275,000 |
| Corporations and foundations | 550,932 | 497,037 | 1,047,969 | 128,470 |
| Churches and civic groups | 5,550 | - | 5,550 | 10,330 |
| Individuals | 152,133 | - | 152,133 | 128,845 |
| In-kind goods and services | 800 | - | 800 | 1,895 |
| Total Contributions | <u>904,415</u> | <u>522,037</u> | <u>1,426,452</u> | <u>544,540</u> |
| Special fundraising event | 35,435 | - | 35,435 | 23,970 |
| Less costs of direct benefits to donors | <u>(4,578)</u> | <u>-</u> | <u>(4,578)</u> | <u>(4,807)</u> |
| Total Special Event | <u>30,857</u> | <u>-</u> | <u>30,857</u> | <u>19,163</u> |
| State of Minnesota scholarships | 73,597 | - | 73,597 | 60,675 |
| Program service fees | 29,800 | - | 29,800 | 31,091 |
| Events | - | - | - | 33,434 |
| Rental income | 200 | - | 200 | 1,275 |
| Miscellaneous | 487 | - | 487 | 353 |
| Total Support and Revenue | <u>1,039,356</u> | <u>522,037</u> | <u>1,561,393</u> | <u>690,531</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS: | | | | |
| Restrictions satisfied by program expenditures | <u>189,068</u> | <u>(189,068)</u> | <u>-</u> | <u>-</u> |
| EXPENSES: | | | | |
| Program | 722,849 | - | 722,849 | 640,207 |
| Management and general | 134,957 | - | 134,957 | 103,650 |
| Fundraising | 117,377 | - | 117,377 | 84,998 |
| Total Expenses | <u>975,183</u> | <u>-</u> | <u>975,183</u> | <u>828,855</u> |
| CHANGE IN NET ASSETS | 253,241 | 332,969 | 586,210 | (138,324) |
| NET ASSETS - BEGINNING OF YEAR | <u>1,047,692</u> | <u>141,375</u> | <u>1,189,067</u> | <u>1,327,391</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,300,933</u> | <u>474,344</u> | <u>1,775,277</u> | <u>1,189,067</u> |

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Statement of Functional Expenses
For the Year Ended December 31, 2017
With Comparative Totals For 2016

| | <u>Education Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total 2017</u> | <u>Total 2016</u> |
|--|------------------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Salaries | \$ 374,215 | 60,513 | 81,461 | 516,189 | 413,224 |
| Payroll taxes and unemployment expense | 41,252 | 4,488 | 6,041 | 51,781 | 31,220 |
| Employee benefits | 48,779 | 9,411 | 5,905 | 64,095 | 68,508 |
| Total Personnel Costs | <u>464,246</u> | <u>74,412</u> | <u>93,407</u> | <u>632,065</u> | <u>512,952</u> |
| | | | | | |
| Contract services | 67,808 | 18,772 | 7,994 | 94,574 | 87,128 |
| Program supplies and activities | 28,085 | - | - | 28,085 | 24,758 |
| Office supplies | 3,055 | 815 | 203 | 4,073 | 2,393 |
| Meal program | 9,438 | - | - | 9,438 | 10,871 |
| Legal and accounting | 1,815 | 6,805 | 453 | 9,073 | 9,020 |
| Training | 4,982 | 50 | 663 | 5,695 | 10,688 |
| Telephone and technology | 10,086 | 2,690 | 672 | 13,448 | 15,925 |
| Utilities | 7,738 | 2,063 | 516 | 10,317 | 13,543 |
| Insurance | 12,591 | 3,358 | 839 | 16,788 | 18,806 |
| Maintenance and repairs | 38,717 | 10,324 | 2,581 | 51,622 | 28,479 |
| Transportation | 15,748 | - | - | 15,748 | 13,495 |
| Equipment rent and maintenance | 4,813 | 1,283 | 321 | 6,417 | 8,519 |
| Public relations | 3,405 | - | 4,735 | 8,140 | 1,594 |
| Interest | 11,072 | 2,952 | 738 | 14,762 | 15,618 |
| Miscellaneous | 1,182 | 1,282 | 1,717 | 4,181 | 4,559 |
| Depreciation | 37,196 | 9,919 | 2,480 | 49,595 | 49,138 |
| Amortization of loan costs | 872 | 232 | 58 | 1,162 | 1,369 |
| Total Expenses | <u>\$ 722,849</u> | <u>134,957</u> | <u>117,377</u> | <u>975,183</u> | <u>828,855</u> |

See accompanying notes to the financial statements.

SOUTHSIDE FAMILY NURTURING CENTER

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|--|-------------|-------------|
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 586,210 | (138,324) |
| Adjustments to reconcile change in net assets to Net cash provided by operating activities: | | |
| Depreciation | 49,595 | 49,138 |
| Amortization of loan costs | 1,162 | 1,369 |
| Loss on disposal of equipment | 1,182 | - |
| Change in Assets and Liabilities: | | |
| Decrease (increase) in accounts receivable | 5,479 | (4,705) |
| (Increase) decrease in promises to give | (326,857) | 187,500 |
| (Increase) decrease in prepaid expenses | (15) | 18,456 |
| Decrease in unemployment trust funds | 13,040 | 64 |
| Increase (decrease) in accounts payable | 228 | (3,654) |
| Increase (decrease) in accrued wages and payroll taxes | 4,685 | (341) |
| (Decrease) increase in accrued vacation and payroll taxes | (3,307) | 3,267 |
| Decrease in accrued interest | (22) | (51) |
| Net Cash Provided By Operating Activities | 331,380 | 112,719 |
| CASH FLOWS USED FOR INVESTING ACTIVITIES: | | |
| Purchase of equipment | (27,631) | (9,007) |
| CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES: | | |
| Proceeds from line of credit | - | 10,000 |
| Principal payments on line of credit | - | (10,000) |
| Principal payments on notes payable | (11,711) | (11,109) |
| Principal payments on capital lease | (5,452) | (5,170) |
| Loan closing costs | (60) | (559) |
| Net Cash Used For Financing Activities | (17,223) | (16,838) |
| NET INCREASE IN CASH | 286,526 | 86,874 |
| CASH - BEGINNING OF YEAR | 173,103 | 86,229 |
| CASH - END OF YEAR | \$ 459,629 | 173,103 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

Cash paid for interest in 2017 and 2016 was \$14,784 and \$15,669, respectively.

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

(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. Subsequent to year-end, the Board of Directors designated \$80,000 of unrestricted net assets for operating reserves.

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, 2017 and 2016, the Center had no permanently restricted net assets.

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

(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 mission. The Center records such billings as 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, 2017 and 2016, 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 \$1,000 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 \$1,162 and \$1,369, respectively, for 2017 and 2016.

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

(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. Unemployment claims expense was \$13,490 for 2017. There was no unemployment expense for 2016.

Contributed Services

The Center receives donated services which meet the criteria for recognition as contributions, and, accordingly, are reported as in-kind contributions on the Statement of Activities. The Center also receives various donated services by board members, faculty, and other volunteers. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Events

During 2017 and 2016, the Center held a special fundraising event which is recorded as a separate fundraising event on the Statement of Activities. In addition, during 2016, concerts were held in which the proceeds were donated to the Center. Such events are recorded as event revenue on the Statement of Activities.

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, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

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

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.

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 two financial institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017 and 2016, 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. Accounts receivables and promises to give predominantly consist of amounts owed by governmental agencies and foundations. As of December 31, 2017 and 2016, approximately 97% and 77%, respectively, of the Center's promises to give and accounts receivable are from one organization. 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. As of December 31, 2017 and 2016, management believes the Center had no significant concentrations of credit risk.

Concentrations of Contributions

During 2017 approximately 70% of the Center's total revenue came from three funders. During 2016, approximately 50% of the Center's total revenue came from two funders.

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, 2016, from which the summarized information was derived.

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

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

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through April 24, 2018, the date which the financial statements were available for issue.

(2) **PROMISES TO GIVE**

Promises to give consisted of the following at December 31, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|---------------|
| Amounts due in less than one year | \$ 204,820 | 75,000 |
| Amounts due in one to five years | 200,000 | - |
| Less discount to net present value | <u>(2,963)</u> | <u>-</u> |
| Net unconditional promises to give | <u>\$ 401,857</u> | <u>75,000</u> |

In addition, the Center has received a conditional promise to give for \$100,000. This promise to give is not reflected in the financial statements as the matching condition of the promise has not been met.

(3) **LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consist of the following as of December 31, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|---------------------|-------------------|
| Building and Improvements | \$ 2,069,061 | 2,057,291 |
| Land | 5,000 | 5,000 |
| Furniture and Equipment | <u>114,139</u> | <u>115,198</u> |
| | 2,188,200 | 2,177,489 |
| Less Accumulated Depreciation | <u>(944,471)</u> | <u>(910,614)</u> |
| | <u>\$ 1,243,729</u> | <u>1,266,875</u> |

(4) **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 are comprised of the following:

| | <u>2017</u> | <u>2016</u> |
|------------------------------|-------------------|----------------|
| Therapy enhancement | \$ 52,307 | 100,985 |
| Domestic violence initiative | 25,000 | 27,380 |
| Time restricted | <u>397,037</u> | <u>13,010</u> |
| Total | <u>\$ 474,344</u> | <u>141,375</u> |

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

(5) **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 2017 or 2016.

(6) **LEASES**

The Center has an operating lease agreements for a copier and a bus. Rent expense under these leases was \$13,390 and \$15,527 for 2017 and 2016, respectively.

Future rental payments under the leases are as follows:

| | |
|-------|------------------|
| 2018 | \$ 9,840 |
| 2019 | 2,832 |
| 2020 | 2,832 |
| 2021 | 2,832 |
| 2022 | <u>1,416</u> |
| Total | \$ <u>19,752</u> |

The Center has a capital lease for an additional bus. At December 31, 2017 and 2016, furniture and equipment includes a bus under capital lease for \$47,636. Depreciation related to the capital lease was \$4,764 for both 2017 and 2016. Accumulated depreciation at December 31, 2017 and 2016 was \$20,644 and \$15,880, respectively. The minimum payments under the capital lease are as follows:

| | |
|---------------------------|------------------|
| 2018 | \$ 27,407 |
| Less interest | (1,071) |
| Net minimum lease payment | \$ <u>26,336</u> |

(7) **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 \$254,036 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:

| | |
|-------|-------------------|
| 2018 | \$ 12,190 |
| 2019 | 12,519 |
| 2020 | 13,065 |
| 2021 | <u>263,692</u> |
| Total | \$ <u>301,466</u> |

SOUTHSIDE FAMILY NURTURING CENTER

Notes to the Financial Statements

December 31, 2017

with Comparative Totals for 2016

(8) **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, 2018. 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 5.0% as of December 31, 2017. The line of credit is secured by all business assets of the Center.

(9) **IN-KIND CONTRIBUTIONS**

In-kind contributions consisted of the following for 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|------------|---------------|--------------|
| Supplies | \$ 800 | 898 |
| Accounting | <u>-</u> | <u>997</u> |
| Total | \$ <u>800</u> | <u>1,895</u> |