SOUTHSIDE FAMILY NURTURING CENTER

Financial Statements

December 31, 2015

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, 2015 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, 2015 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

March 22, 2016

Akins Henke and Company

SOUTHSIDE FAMILY NURTURING CENTER
Statements of Financial Position
December 31, 2015 and 2014

ASSETS

		2015	2014
Current Assets:			
Cash	$	86,229	84,023
Accounts Receivable		8,221	1,193
Promises to Give		262,500	-
Prepaid Expenses		22,371	7,717
Loan Costs, Net		1,463	1,463
Total Current Assets		380,784	94,396
Loan Costs, Net		4,175	5,638
Unemployment Trust Funds		45,718	50,752
Land, Building and Equipment, Net		1,307,006	1,329,995
TOTAL ASSETS	$	1,737,683	1,480,781

LIABILITIES AND NET ASSETS

		2015	2014
Current Liabilities:			
Accounts Payable	$	13,963	14,992
Note Payable		11,147	10,715
Capital Lease		5,170	4,903
Accrued Wages and Payroll Taxes		19,199	22,048
Accrued Vacation and Payroll Taxes		15,256	23,407
Accrued Interest		630	664
Total Current Liabilities		65,365	76,729
Capital Lease		31,788	36,958
Note Payable		313,139	324,285
Total Liablities		410,292	437,972
Net Assets:			
Unrestricted Net Assets		1,227,391	1,042,809
Temporarily Restricted Net Assets		100,000	-
Total Net Assets		1,327,391	1,042,809
TOTAL LIABILITIES AND NET ASSETS	$	1,737,683	1,480,781

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Statement of Activities

For the Year Ended December 31, 2015

With Comparative Totals for 2014

		Unrestricted	Temporarily Restricted	Total 2015	Total 2014
SUPPORT AND REVENUE:					
Contributions:					
United Way	$	-	272,614	272,614	199,929
Corporations and Foundations		621,836	35,000	656,836	420,477
Churches and Civic Groups		18,120	-	18,120	18,745
Individuals		103,412	-	103,412	92,503
In-kind		645	-	645	-
State of Minnesota Scholarships		18,047	-	18,047	12,842
Hennepin County Contract Service Fees		-	-	-	26,632
Events		30,061	-	30,061	8,211
Rental Income		3,488	-	3,488	4,724
Miscellaneous		8,302	-	8,302	2,754
Total Support and Revenue		803,911	307,614	1,111,525	786,817
NET ASSETS RELEASED FROM RESTRICTIONS:					
Restrictions Satisfied by Program Expenditures		207,614	(207,614)	-	-
EXPENSES:					
Program		624,293	-	624,293	656,296
Management and General		108,869	-	108,869	159,370
Fundraising		93,781	-	93,781	68,412
Total Expenses		826,943	-	826,943	884,078
CHANGE IN NET ASSETS		184,582	100,000	284,582	(97,261)
NET ASSETS - BEGINNING OF YEAR		1,042,809	-	1,042,809	1,140,070
NET ASSETS - END OF YEAR	$	1,227,391	100,000	1,327,391	1,042,809

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Statement of Functional Expenses

For the Year Ended December 31, 2015

With Comparative Totals For 2014

	Education Program	Management and General	Fundraising	Total 2015	Total 2014
Salaries	$ 327,553	43,821	68,866	440,240	466,663
Payroll Taxes and Unemployment Expense	25,639	3,430	5,391	34,460	34,366
Employee Benefits	55,931	7,983	8,620	72,534	82,288
Total Personnel Costs	409,123	55,234	82,877	547,234	583,317
Contract Services	20,516	15,728	88	36,332	36,581
Program Expenses	12,446	-	-	12,446	17,596
Program Activities	11,921	-	-	11,921	11,368
Office Supplies	2,431	648	162	3,241	3,861
Meal Program	16,370	-	-	16,370	17,428
Legal and Accounting	6,598	1,760	440	8,798	9,106
Training	4,244	159	379	4,782	1,807
Telephone and Technology	11,754	3,134	784	15,672	17,468
Utilities	9,937	2,650	662	13,249	14,906
Insurance	14,096	3,759	940	18,795	24,328
Maintenance and Repairs	29,638	7,904	1,976	39,518	41,441
Transportation	12,772	-	-	12,772	13,969
Equipment Rent and Maintenance	6,914	1,844	461	9,219	7,809
Public Relations	-	1,240	1,310	2,550	4,271
Interest	12,668	3,378	845	16,891	23,987
Miscellaneous	5,556	1,482	370	7,408	4,907
Depreciation	36,212	9,656	2,414	48,282	49,868
Amortization of Loan Costs	1,097	293	73	1,463	60
Total Expenses	$ 624,293	108,869	93,781	826,943	884,078

See accompanying notes to the financial statements.

SOUTHSIDE FAMILY NURTURING CENTER
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	$ 284,582	(97,261)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	48,282	49,868
Amortization of loan costs	1,463	60
Loss on disposal of equipment	166	-
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(7,028)	16,698
(Increase) decrease in promises to give	(262,500)	51,097
(Increase) decrease in prepaid expenses	(14,654)	7,913
Decrease (increase) in unemployement trust funds	5,034	(1,738)
(Decrease) increase in accounts payable	(1,029)	9,208
Decrease in accrued wages and payroll taxes	(2,849)	(4,623)
(Decrease) increase in accrued vacation and payroll taxes	(8,151)	434
Decrease in accrued interest	(34)	(2,965)
Net Cash Provided By Operating Activities	43,282	28,691
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of equipment	(25,459)	(1,530)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from note payable	-	335,000
Proceeds from line of credit	60,000	-
Principal payments on line of credit	(60,000)	-
Principal payments on notes payable	(10,714)	(325,420)
Principal payments on capital lease	(4,903)	(4,650)
Loan closing costs	-	(7,161)
Net Cash Used For Financing Activities	(15,617)	(2,231)
NET INCREASE IN CASH	2,206	24,930
CASH - BEGINNING OF YEAR	84,023	59,093
CASH - END OF YEAR	$ 86,229	84,023

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

Cash paid for interest in 2015 and 2014 was $16,925 and $26,952, respectively.

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER
Notes to the Financial Statements
December 31, 2015
With Comparative Totals for 2014

(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, housing and employment assistance. 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, 2015 and 2014, 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.

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, 2015 and 2014, 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 cost over the life of the loan. In December of 2014, the Center entered into a note payable and line of credit and paid $7,161 of closing costs. Amortization relating to these loan closing costs was $1,463 and $60, respectively, for 2015 and 2014.

(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 2015 or 2014. At December 31, 2015 and 2014, 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.

Events

During 2015 and 2014, concerts were held in which the proceeds were donated to the Center.

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, 2015 and 2014, 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, 2015 and 2014, 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. 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, 2015 and 2014, management believes the Center had no significant concentrations of credit risk.

Concentrations of Contributions

During 2015 and 2014, approximately 65% and 51%, 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. 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, 2014, from which the summarized information was derived.

Reclassification

Certain 2014 amounts have been reclassified for comparability purposes with those of 2015.

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through March 22, 2016, 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, 2015 and 2014:

	2015	2014
Building and Improvements	$ 2,050,783	2,041,073
Land	5,000	5,000
Furniture and Equipment	112,699	150,836
	2,168,482	2,196,909
Less Accumulated Depreciation	(861,476)	(866,914)
	$ 1,307,006	1,329,995

(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 2015 or 2014.

(4) **TEMPORARILY RESTRICTED NET ASSETS**

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

Therapy Enhancement	$ 75,000
Domestic Violence Initiative	25,000
Total	$ 100,000

There were no temporarily restricted net assets at December 31, 2014.

(5) **LEASES**

The Center has an operating lease agreements for a copier and a bus. Rent expense under these leases was $15,200 and $14,574 for 2015 and 2014, respectively.

Future rental payments under these leases are as follows:

2016	$ 13,781
2017	11,497
2018	7,008
Total	$ 32,286

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

The Center has a capital lease for an additional bus. At December 31, 2015 and 2014, furniture and equipment includes a bus under capital lease for $47,636. Depreciation related to the capital lease was $4,764 for both 2015 and 2014. Accumulated depreciation at December 31, 2014 and 2013 was $11,116 and $6,352, respectively. The minimum payments under the capital lease are as follows:

2016	$ 7,008
2017	7,008
2018	27,407
	41,423
Less Interest	(4,465)
Net Minimum Lease Payment	$ 36,958

(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:

2016	$ 11,147
2017	11,676
2018	12,190
2019	12,725
Thereafter	276,548
Total	$ 324,286

(7) **LINE OF CREDIT**

The Center has a line of credit with a maximum limit of $80,000. The line of credit matures on March 18, 2016. 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 4.0% as of December 31, 2015. The line of credit is secured by all business assets of the Center. Subsequent to year-end and as of March 22, 2016, the Center borrowed and repaid $10,000 on the line of credit.