SOUTHSIDE FAMILY NURTURING CENTER

Financial Statements

December 31, 2022

SOUTHSIDE FAMILY NURTURING CENTER

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AKINS HENKE
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

600 INWOOD AVENUE NORTH
SUITE 160
OAKDALE, MN 55128
TEL: (651) 636-3806
FAX: (651) 636-1136
www.akinshenke.com

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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southside Family Nurturing Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Family Nurturing Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southside Family Nurturing Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southside Family Nurturing Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Southside Family Nurturing Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 13, 2023

Akins Henke and Company

SOUTHSIDE FAMILY NURTURING CENTER
Statements of Financial Position
December 31, 2022 and 2021

ASSETS

		2022	2021
Current assets:			
Cash	$	1,201,097	1,149,583
Donated stock		52	13,540
Accounts receivable		-	1,432
Promises to give		327,845	138,133
Prepaid expenses		11,286	9,572
Loan costs, net		490	312
Total current assets		1,540,770	1,312,572
Loan costs, net		1,158	1,470
Unemployment trust funds		26,130	29,191
Right of use asset, net - finance lease		8,606	10,757
Land, building and equipment, net		1,039,101	1,095,794
TOTAL ASSETS	$	2,615,765	2,449,784

LIABILITIES AND NET ASSETS

		2022	2021
Current liabilities:			
Accounts payable	$	13,053	9,605
Accrued compensation		48,084	46,331
Accrued interest		361	384
Finance lease liability		2,050	2,108
Note payable		15,144	14,589
Total current liabilities		78,692	73,017
Finance lease liability		6,757	8,649
Note payable		220,283	235,451
Total liabilities		305,732	317,117
Net assets:			
Without donor restrictions:			
Undesignated		1,639,968	1,445,643
Board designated		590,000	590,000
Total net assets without donor restrictions		2,229,968	2,035,643
With donor restrictions		80,065	97,024
Total net assets		2,310,033	2,132,667
TOTAL LIABILITIES AND NET ASSETS	$	2,615,765	2,449,784

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER
Statement of Activities
For the Year Ended December 31, 2022
With Comparative Totals for 2021

		Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
SUPPORT AND REVENUE:					
Contributions:					
United Way	$	84,000	-	84,000	115,500
Corporations and foundations		617,119	55,000	672,119	1,058,214
Churches and civic groups		-	-	-	2,500
Individuals		157,960	4,529	162,489	149,915
Donated goods and services		1,000	-	1,000	10,072
State and government grants		398,684	-	398,684	468,267
Total contributions		1,258,763	59,529	1,318,292	1,804,468
Unrealized gains on donated stock		80	-	80	661
Miscellaneous		1,380	-	1,380	5,087
Total Support and Revenue		1,260,223	59,529	1,319,752	1,810,216
NET ASSETS RELEASED FROM RESTRICTIONS:					
Restrictions satisfied		76,488	(76,488)	-	-
EXPENSES:					
Family and early childhood education program		877,376	-	877,376	878,888
Management and general		127,104	-	127,104	109,033
Fundraising		137,906	-	137,906	129,483
Total Expenses		1,142,386	-	1,142,386	1,117,404
CHANGE IN NET ASSETS		194,325	(16,959)	177,366	692,812
NET ASSETS - BEGINNING OF YEAR		2,035,643	97,024	2,132,667	1,439,855
NET ASSETS - END OF YEAR	$	2,229,968	80,065	2,310,033	2,132,667

See accompanying notes to the financial statements

SOUTHSIDE FAMILY NURTURING CENTER

Statement of Functional Expenses

For the Year Ended December 31, 2022

With Comparative Totals For 2021

		Family & Early Childhood Education Program	Management and General	Fundraising	Total 2022	Total 2021
Salaries	$	528,682	47,446	101,670	677,798	619,300
Payroll taxes and unemployment		44,678	4,010	8,591	57,279	47,042
Employee benefits		74,001	4,409	10,093	88,503	78,625
Total personnel costs		647,361	55,865	120,354	823,580	744,967
Contract services		21,763	30,209	474	52,446	69,187
Program supplies and activities		60,364	-	-	60,364	55,343
Office supplies		1,321	87	126	1,534	3,388
Meal program		7,464	-	-	7,464	6,143
Legal and accounting		-	10,478	-	10,478	10,601
Training		1,243	-	89	1,332	3,443
Telephone and technology		29,078	1,919	2,783	33,780	31,546
Utilities		14,758	3,935	984	19,677	15,984
Insurance		13,172	3,513	878	17,563	16,640
Maintenance and repairs		17,189	4,583	1,146	22,918	36,916
Transportation		11,107	-	-	11,107	8,561
Equipment rent and maintenance		-	-	-	-	3,289
Public relations		-	-	7,192	7,192	42,387
Interest		8,189	2,184	546	10,919	11,062
Miscellaneous		-	2,500	376	2,876	1,971
Depreciation and amortization		44,367	11,831	2,958	59,156	55,976
Total expenses	$	877,376	127,104	137,906	1,142,386	1,117,404

See accompanying notes to the financial statements.

SOUTHSIDE FAMILY NURTURING CENTER
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 177,366	692,812
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	59,156	55,976
Paycheck protection program loan forgivenesss	-	(156,700)
Donated stock	(13,518)	(12,879)
Net unrealized gains on donated stock	(80)	(661)
Changes in assets and liabilities:		
Decrease in accounts receivable	1,432	725
(Increase) decrease in promises to give	(189,712)	17,269
Increase in prepaid expenses	(1,714)	(454)
(Increase) decrease in unemployment trust funds	3,061	(7,922)
Increase (decrease) in accounts payable	3,448	(1,875)
Increase (decrease) in accrued compensation	1,753	(9,824)
Decrease in accrued interest	(23)	(21)
Net cash provided by operating activities	41,169	576,446
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of donated stock	27,086	-
Purchase of land, building and equipment	-	(16,377)
Net cash provided by (used for) investing activities	27,086	(16,377)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(14,613)	(13,984)
Reduction in finance lease liability	(1,950)	-
Loan closing costs	(178)	(223)
Net cash used for financing activities	(16,741)	(14,207)
NET INCREASE IN CASH	51,514	545,862
CASH - BEGINNING OF YEAR	1,149,583	603,721
CASH - END OF YEAR	$ 1,201,097	1,149,583

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest in 2022 and 2021 was $10,942 and $11,083, respectively.

During 2021, a copier was purchased under a finance lease for $10,757.

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 two classes of net assets:

Without Donor Restrictions - Resources over which the Board of Directors and management has discretionary control. Funds designated by the Board of Directors comprised of the following on December 31, 2022 and 2021:

	2022	2021
Future operating reserves	$ 90,000	90,000
Future expansion projects	500,000	500,000
Total Board-designated funds	$ 590,000	590,000

With Donor Restrictions - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Center, passage of time, or that will be maintained in perpetuity by the Center. Presently, the Center does not have any net assets that are required to be maintained in perpetuity.

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

Adoption of New Accounting Standards

During 2022, the Center implemented FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This guidance increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The implementation of this standard resulted in no significant changes to the way the Center recognizes contributed nonfinancial assets.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The Center adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach. The Center did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets was necessary as of January 1, 2022. A cumulative effect adjustment was not necessary.

The most significant effects of adopting FASB ASC 842 was the recognition of a $10,757 financing lease right of use asset and related current and long-term financing lease liabilities on the statement of financial position. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022 or 2021.

Revenue and Support

The Center recognizes contributions when cash, securities, unconditional promises to give, or other assets are committed by the donor. Conditional contributions - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Certain state and government grants are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021, contributions approximating $229,100 have not been recognized in the accompanying financial statements because the conditions have not been met. There were no contributions at December 31, 2022 that have not been recognized. Included in state and government grants are $81,929 of employee retention credits for 2022 and $156,700 of paycheck protection program loan forgiveness for 2021.

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support with donor restrictions and then released from restriction.

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

Contributed Goods and Services

The Center receives donated goods and services which meet the criteria for recognition as contributions, and, accordingly, are reported as donated goods and services 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.

Promises to Give

Unconditional promises to give are recognized at net realizable value if due within one year, and at present value if due over one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 $312 and $422, respectively, for 2022 and 2021.

Donated Stock

Donated stock is comprised of stocks received from donors and not yet liquidated by the Center. Donated stock is recorded at fair value. Investment income or loss from the donated stock (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law. Unrealized gains and losses are recorded based on the fair value of the donated stock. The donated stock is subject to market and trading fluctuations.

Land, Building and Equipment

All major expenditures in excess of $1,000 for land, building, and equipment are capitalized at cost. Contributed land, building, and equipment 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.

Cash

Cash is defined as cash in checking, savings, and cash on hand. The Center maintains checking and savings accounts at three financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2022 and 2021, the Center had $258,671 and $369,838 of uninsured balances, respectively.

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 $3,062 and $734 for 2022 and 2021, respectively.

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

Leases

The Center accounts for leases in accordance with FASB ASC 842. The Center determines if an arrangement is a lease, or contains a lease, at the inception of a contract and when terms of an existing contract are changed. The Center determines if an arrangement conveys the right to use an identified asset and whether the Center obtains substantially all of the economic benefits and has the ability to direct the use of the asset. The Center recognizes a lease liability and right of use asset at the commencement date of the lease.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the lease terms, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Center uses its incremental borrowing rate. The Center determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

A right of use asset is measured at the commencement date at the amount of the initially measured lease liability plus any lease payments made to the lessor before commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, finance lease right of use assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

The Center has elected for all underlying classes of assets, to not recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Center is reasonably certain to exercise.

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, 2022 and 2021, 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)

Functional Allocation of Expense

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function which requires allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated on a square footage basis include depreciation and amortization, maintenance and repairs, utilities, interest, insurance, and equipment rent and maintenance. Personnel costs are allocated on the basis of estimates of time worked in the various functions. Office supplies and telephone and technology expenses are allocated based on full-time staffing equivalents worked in the various functions.

Concentrations of Credit Risk Due to Promises to Give

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of promises to give. Promises to give predominantly consist of amounts owed by governmental agencies and foundations. As of December 31, 2022, approximately 68% of the Center's promises to give are from three organizations. As of December 31, 2021, approximately 94% of the Center's promises to give are from four organizations.

Management believes concentrations of credit risk with respect to promises to give are limited due to the nature of the promises to give. As of December 31, 2022 and 2021, management believes the Center had no significant concentrations of credit risk.

Concentrations of Contributions

During 2022 and 2021, approximately 47% and 51%, respectively, of the Center's total revenue came from three funders.

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.

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class nor by 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, 2021, from which the summarized information was derived.

Reclassification

Certain 2021 amounts have been reclassified for comparability purposes with those of 2022.

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

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through March 28, 2023, the date which the financial statements were available for issue.

(2) **LIQUIDITY AND FINANCIAL ASSETS**

The Center regularly monitors liquidity required to meet its operating needs and structures its financial assets for availability as its general expenditures, liabilities, and other obligations come due. The Center invests cash in excess of daily requirements in a savings account. Board designated funds of $590,000 are not available for operating needs unless approved by the Board. In the event of immediate liquidity needs, the Center has a committed line of credit in the amount of $80,000 that can be drawn upon.

The following table reflects the Center's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	2022	2021
Cash	$ 1,201,097	1,149,583
Donated stock	52	13,540
Accounts receivable	-	1,432
Promises to give	327,845	138,133
Total financial assets	1,528,994	1,302,688
Less amounts not available to be used within one year:		
Board designated	(590,000)	(590,000)
Donor-restricted for use	(46,565)	-
Financial assets available within one year to meet cash needs for general expenditures	$ 892,429	712,688

(3) FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a three-tier fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets, such as the New York Stock Exchange. At December 31, 2022 and 2021, Level 1 assets were comprised of donated stock of $52 and $13,540, respectively.

- Level 2 assets and liabilities are valued using inputs other than unadjusted quoted prices included in Level 1 that are observable either directly or indirectly for the assets or liability. At December 31, 2022 and 2021, the Organization had no Level 2 assets or liabilities.

- Level 3 assets and liabilities are valued using pricing inputs which are unobservable for the asset or liability. At December 31, 2022 and 2021, the Organization had no Level 3 assets or liabilities.

(4) LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following as of December 31, 2022 and 2021:

	2022	2021
Building and improvements	$ 2,078,161	2,078,161
Land	5,000	5,000
Furniture and equipment	70,560	70,560
Vehicles	47,458	47,458
	2,201,179	2,201,179
Less: Accumulated depreciation	(1,162,078)	(1,105,385)
	$ 1,039,101	1,095,794

(5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following at December 31, 2022 and 2021:

	2022	2021
Restricted by donor for purpose:		
Expansion architectural design	$ 35,000	-
Architectural renderings	20,000	-
Family home visiting	-	29,070
Native American early childhood improvement	-	25,000
Therapy services	18,356	19,775
Seasonal initiatives	-	15,909
Emergency funds	-	2,000
Classroom materials	6,709	5,270
Total	$ 80,065	97,024

(5) NET ASSETS WITH DONOR RESTRICTIONS, (continued)

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose, the passage of time, or other events specified by the donors. Net assets released from restriction were comprised of the following at December 31, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions:		
Classroom materials	$ 3,090	2,328
Arts programming	-	8,000
Native American early childhood improvement	25,000	-
Family home visiting	29,070	30,930
Emergency funds	2,000	-
Therapy services	1,419	225
Seasonal initiatives	15,909	14,091
Total	$ 76,488	55,574

(6) LEASES

The Center has an obligation as a lessee for a copier with an initial noncancelable terms of five years and an expiration date November 24, 2026. The Center classifies this lease as a finance lease. Because the Center is not reasonably certain to exercise the renewal option in the lease, the optional renewal period is not included in determining the lease term, and associated payments under the renewal option are excluded from lease payments used to determine the lease liability. The lease does not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants. Payments due under the lease are based on fixed payments. The Center used a discount rate of 5.0% to determine the lease liability and related right of use asset. The discount rate is commensurate with the Center's borrowing rate at the time of the lease.

Amortization of the right of use asset for 2022 was $2,151 and is recorded in depreciation and amortization expense on the statement of functional expenses. There was no amortization expense for 2021. Interest expense related to the finance lease liability was $486 and $45, respectively, for 2022 and 2021, and is included in interest expense on the statement of functional expenses.

The future minimum payments under the finance lease are as follows:

2023	$ 2,436
2024	2,436
2025	2,436
2026	2,391
Present value adjustment	(892)
Total	$ 8,807

(7) RETIREMENT PLAN

The Center had a 403(b) plan in which employees could defer contributions. The Center did not contribute to the 403(b) plan during 2022 or 2021 and froze the plan in 2022. During 2022 the Center established a Simple IRA retirement plan to replace the 403(b) plan. The plan is available to all employees and participants may contribute a percentage of their compensation, not to exceed the limitations established by the Internal Revenue Code. The Center makes matching contributions equal to 100% of the employee's contribution, not to exceed 3% of the employees compensation. During 2022, the Center contributed $4,085 to the plan.

(8) LINE OF CREDIT

The Center has a line of credit with a maximum limit of $80,000. The line of credit matures on December 18, 2023. 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 7.50% and 3.75%, respectively, as of December 31, 2022 and 2021. The line of credit is secured by all business assets of the Center. The Center had no borrowings on the line of credit during 2022 and 2021.

(9) NOTE PAYABLE

On May 8, 2020, the Center entered into a promissory note with a principal balance of $272,770 and a maturity date of April 18, 2027. The note calls for monthly principal and interest payments of $2,089 and an estimated final payment of principal and interest of $165,737 at maturity. The interest rate is fixed at 4.25% and the note is secured by a mortgage on the property of the Center.

Future principal payments on the promissory note are as follows:

2023	$ 15,144
2024	15,858
2025	16,582
2026	17,310
2027	170,533
Total	$ 235,427

In April of 2020, the Center received loan proceeds in the amount of $156,700 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the PPP provides for loans to qualifying business in amounts up to 2.5 times their average monthly payroll expenses. PPP loans and accrued interest are forgivable after the elected eight or twenty-four week period as long as the borrower maintains its payroll levels and use the loan proceeds for eligible purposes. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%. This loan was forgiven during 2021 and the forgiveness is recorded as a government grant on the statement of activities.

(10) DONATED GOODS AND SERVICES

Donated goods and services consisted of the following for 2022 and 2021:

	2022	2021
Gift cards	$ 1,000	-
Supplies	-	2,072
Professional services	-	8,000
Total	$ 1,000	10,072

The donated goods and services did not have any donor-imposed restrictions.

Donated gift cards and supplies are used in providing services to the clients of the Center. In valuing the gift cards and supplies, the Center estimates the fair value based on the purchase price of similar supplies and the face value of the gift cards.

Donated professional services consist of donated time for accounting services and are used for the management and general operations of the Center. The Center estimates the fair value of these services based on current rates for similar professional services.

(11) RISKS AND UNCERTAINTIES

The Center is exposed to various known and unknown risks and uncertainties. Risks include internal and external events and conditions (e.g. pandemic, international conflict, labor market and supply chain disruption, government mandates and policies, volatile financial markets, etc.) which could impact the availability of grants and contributions and the ability to provide program services. It is at least reasonably possible that changes could occur in the near term and that such changes could materially affect the statement of financial position and results of changes in net assets. The Center is closely monitoring its liquidity and is activity working to minimize the impact of these risks on its operations. Any ongoing financial impact of these risks cannot be determined at this time.