

**HMONG CULTURAL CENTER, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**PREPARED BY:**

**MICHAEL S. WILSON AND ASSOCIATES**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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Independent Auditor's Report

Board of Directors  
Hmong Cultural Center Inc  
St. Paul, Minnesota

We have audited the accompanying statement of financial position of the Hmong Cultural Center, Inc. as of December 31, 2006 and 2005, and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hmong Cultural Center, Inc. as of December 31, 2006 and 2005, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

April 23, 2007

Michael S. Wilson, CPA

**HMONG CULTURAL CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006 AND 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
<b>Current Assets</b>		
Cash-Checking	116,202	\$ 108,555
Accounts Receivable	54,049	31,356
Prepaid Expenses	1,907	1,390
<b>Total Current Assets</b>	<u>172,158</u>	<u>141,301</u>
<b>Property and Equipment</b>		
Equipment	61,832	56,117
Accumulated Depreciation	(38,822)	(30,935)
<b>Total Property and Equipment</b>	<u>23,010</u>	<u>25,182</u>
<b>Other Assets</b>		
Security Deposit	1,900	1,900
<b>Total Other Assets</b>	<u>1,900</u>	<u>1,900</u>
<b>Total Assets</b>	<u>\$ 197,068</u>	<u>\$ 168,383</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	\$ 3,733	\$ 2,281
Accrued Payroll Liabilities	12,287	11,468
Agency Account - Hmong Resource Fair	7,552	4,989
<b>Total Current Liabilities</b>	<u>23,572</u>	<u>18,738</u>
<b>Net Assets</b>		
Unrestricted		
Board Designated: Youth	4,209	5,334
Board Designated: Building bridges	7,366	14,691
Undesignated	100,931	85,355
Temporarily Restricted	60,990	44,265
<b>Total Net Assets</b>	<u>173,496</u>	<u>149,645</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 197,068</u>	<u>\$ 168,383</u>

The accompanying notes are an integral part of these financial statements

**HMONG CULTURAL CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**WITH COMPARATIVE TOTALS FOR 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2006</u>	<u>Total 2005</u>
<b>Public Support, Revenue and Gains</b>				
<b>Public Support</b>				
Government grants	\$ 163,451	\$ -	\$ 163,451	\$ 163,099
Public support	94,557	46,626	141,183	135,086
Net assets released from restrictions	29,901	(29,901)	-	-
<b>Revenue</b>				
Interest income	111	-	111	120
Miscellaneous revenue	3,247	-	3,247	7,354
Total revenue, gains and other support	<u>291,267</u>	<u>16,725</u>	<u>307,992</u>	<u>305,659</u>
<b>EXPENSES</b>				
Program expenses	235,300	-	235,300	272,144
Management and general	27,853	-	27,853	26,760
Fundraising	20,988	-	20,988	15,155
Total Expenses	<u>284,141</u>	<u>-</u>	<u>284,141</u>	<u>314,059</u>
Change in net assets	7,126	16,725	23,851	(8,400)
Net assets at beginning of year	<u>105,380</u>	<u>44,265</u>	<u>149,645</u>	<u>158,045</u>
Net assets at end of year	<u>\$ 112,506</u>	<u>\$ 60,990</u>	<u>\$ 173,496</u>	<u>\$ 149,645</u>

**HMONG CULTURAL CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2006**  
**WITH COMPARATIVE TOTALS FOR 2005**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2006</u>	<u>Total 2005</u>
Salaries	\$ 145,167	\$ 8,065	\$ 8,065	\$ 161,297	\$ 161,793
Payroll taxes and insurance	17,917	996	995	19,908	22,165
Benefits	5,452	303	303	6,058	-
Total salaries and related expenses	<u>168,536</u>	<u>9,364</u>	<u>9,363</u>	<u>187,263</u>	<u>183,958</u>
Supplies	4,879	271	271	5,421	5,660
Rent/Maintenance	35,830	1,991	1,990	39,811	39,745
Insurance	1,119	62	62	1,243	1,243
Communication	2,754	153	153	3,060	6,646
Postage	896	50	50	996	1,613
Contract services	2,859	6,839	6,031.00	15,729	7,877
Program expenses	10,008	-	-	10,008	41,441
Community outreach	0	-	-	0	475
Staff and board development	-	160	-	160	490
Printing	1,205	67	67	1,339	4,786
Equipment, maintenance, repairs	4,537	252	252	5,041	4,796
Events	754	295	2,749	3,798	2,682
Travel	748	-	-	748	1,443
Books and cultural items	789	-	-	789	
Other expenses	386	461	-	847	3,939
Depreciation	0	7,888	-	7,888	7,265
Total Expenses	<u>\$ 235,300</u>	<u>\$ 27,853</u>	<u>\$ 20,988</u>	<u>\$ 284,141</u>	<u>\$ 314,059</u>

**HMONG CULTURAL CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2006 AND 2005**

<b>Cash Flow From Operating Activity</b>	<u>2006</u>	<u>2005</u>
Increase (decrease) in net assets	\$ 23,851	\$ (8,400)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	7,888	6,356
Change in accounts receivable	(22,693)	18,032
Change in prepaid expenses	(517)	(93)
Change in pledges receivable		10,000
Change in accounts payable	1,452	566
Change in accrued payroll liabilities	819	2,700
Change in agency accounts	<u>2,563</u>	<u>2,324</u>
<b>Cash Flow From Operating Activity</b>	<b>13,363</b>	<b>31,485</b>
<b>Cash Flow From Investing Activity</b>		
Purchase of equipment	<u>(5,715)</u>	<u>(11,686)</u>
<b>Cash Flow From Investing Activity</b>	<b>(5,715)</b>	<b>(11,686)</b>
<b>Increase in Cash and Cash Equivalents</b>	<u>7,648</u>	<u>19,799</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>108,554</u>	<u>88,755</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>116,202</u></u>	<u><u>108,554</u></u>

The accompanying notes are an integral part of these financial statements

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization:**

The Hmong Cultural Center, Inc. (HCC) is a nonprofit organization designed to serve the entire Hmong community in the Twin Cities by playing a leadership role in promoting Hmong culture to all generations. The HCC promotes the personal development of children, youth, and adults through Hmong cultural education while providing resources that enhance cross-cultural understanding between Hmong and Non-Hmong people.

The significant accounting policies employed are described below to enhance the usefulness of the financial statements to the reader.

**Method of Accounting:**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements for Not-For-Profit Organizations*. The provisions of the new standards have been applied to the periods presented.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Hmong Cultural Center, Inc. and changes therein are classified and reported as follows.

**Unrestricted Net Assets**

This classification contains net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets**

This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Temporarily restricted net assets are released from restrictions when donor-imposed stipulations are satisfied.

**Permanently Restricted Net Assets**

These are net assets subject to donor-imposed stipulations that are required to be maintained permanently by the organization. This classification does not apply to the organization.

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Income Taxes:**

Hmong Cultural Center, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05.

**Basis of Accounting**

The HCC uses the accrual method of accounting where revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Cash**

Cash includes deposits into federally insured checking and savings accounts account with amounts available on demand.

**Property and Equipment:**

Equipment is recorded at cost when purchased. Depreciation is provided using the straight-line method over the estimated useful lives of five to seven years for equipment.

**Contributions**

The following types of contributions are recorded as revenue at their fair market value when they are received unconditionally: cash, promises to give, certain contributed services, and gifts of long-lived assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. There were no donated services for the year ended December 31, 2006 that met the conditions for recognition.

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**Major Funding Sources**

The Hmong Cultural Center, Inc. receives funding under a contract with the St. Paul school district for citizen training and literacy courses. The HCC also is the recipient of public support from various foundations for multicultural education and literacy programs.

Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced and received on the above grants but not yet earned are shown as refundable advances. Expenses under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenses allowed under these grants, the Hmong Cultural Center, Inc. will record such disallowance at the time the final assessment is made.

**Functional Accounting for Expenses**

The costs of providing the various programs have been presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting service benefited.

**Contingencies**

Amounts received or receivable from governmental agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although HCC expects such amounts, if any, to be immaterial for 2006.

**Compensated Absences**

The Organization allows employees to carryover hours related to paid time-off. Since HCC cannot charge its primary granting authorities for accrued vacation until it is used, no provision has been made in the accompanying financial statements for recording the accrued vacation liability and related expenses at the end of the year.

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 2. RECEIVABLES**

Accounts receivable at December 31, 2005 and 2006 are as follows:

	<u>2006</u>	<u>2005</u>
Costs to be reimbursed under contract with:		
St. Paul School District	46,497	\$31,356
Hmong American Partnership	7,000	---
Other accounts receivable	552	---
Total	<u>\$54,049</u>	<u>\$31,356</u>

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment included the following balances at year-end, 2006

	<u>2006</u>	<u>2005</u>
Office equipment	\$59,422	\$53,707
Musical instruments	2,410	2,410
Less:		
Accumulated depreciation	<u>(38,822)</u>	<u>(31,540)</u>
Net property and equipment	<u>\$23,010</u>	<u>\$25,184</u>

Depreciation expense for the year-ended December 31, 2005 and 2006 respectively, was \$6,356 and \$7,888.

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 4. LEASE COMMITMENTS**

The Organization leases office space for program and administrative activities on University Avenue in St. Paul. The annual lease requires notification of plans to vacate or cease use of the facility by HCC. The minimum future lease payments are \$38,400. The rental expense for fiscal year 2006 for this office space was \$39,811.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2005 and 2006:

	<u>2006</u>	<u>2005</u>
Building bridges	\$30,681	\$ 18,581
Literacy	19,097	20,000
Resource Center	960	5,684
Youth	10,252	---
Total temporarily restricted	<u>\$60,990</u>	<u>\$ 44,265</u>

**NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions because they complied with following donor requests.

	<u>2006</u>	<u>2005</u>
Building new bridges	\$17,900	\$10,000
Youth activities	---	2,354
Website development	---	4,000
Resource Center	4,724	30,335
Musical instruments	---	2,410
Literacy	7,277	---
Other	---	2,329
Total net assets released	<u>\$29,901</u>	<u>\$49,101</u>