

HMONG CULTURAL CENTER, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

PREPARED BY:
MICHAEL S. WILSON AND ASSOCIATES
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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HMONG CULTURAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>
Public Support, Revenue and Gains			
Public Support			
Grants - government	265,407	-	265,407
Donations and private grants	3,586	89,800	93,386
Net assets released from restrictions	23,766	(23,766)	-
Revenue			
Interest income	20	-	20
Miscellaneous revenue	1,547	-	1,547
Total support and revenue	<u>294,326</u>	<u>66,034</u>	<u>360,360</u>
EXPENSES			
Program expenses	290,055	-	290,055
Management and general	19,987	-	19,987
Fundraising	8,786	-	8,786
Total Expenses	<u>318,828</u>	<u>-</u>	<u>318,828</u>
Change in net assets	(24,502)	66,034	41,532
Net assets at beginning of year	<u>78,574</u>	<u>10,168</u>	<u>88,742</u>
Net assets at end of year	<u>\$ 54,072</u>	<u>\$ 76,202</u>	<u>\$ 130,274</u>

HMONG CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2012</u>
Salaries	\$ 172,895	\$ 6,510	\$ 5,995	\$ 185,400
Payroll taxes and insurance	16,222	611	562	17,395
Benefits	9,716	366	337	10,419
Total salaries and related expenses	<u>198,833</u>	<u>7,487</u>	<u>6,894</u>	<u>213,214</u>
Supplies	5,164	133	100	5,397
Rent/Maintenance	40,862	1,538	1,417	43,817
Insurance	4,695	177	163	5,035
Communication	3,399	128	118	3,645
Contract services	-	4,144	-	4,144
Citizenship expenses	25,540	-	-	25,540
Other program expenses	8,614	-	-	8,614
Staff and board development	-	380	-	380
Printing	380	14	13	407
Equipment, maintenance, repairs	2,327	87	81	2,495
Events	-	-	-	0
Travel	241	-	-	241
Bank charges	-	434	-	434
Other expenses	-	762	-	762
Depreciation	-	4,703	-	4,703
Total Expenses	<u>\$ 290,055</u>	<u>\$ 19,987</u>	<u>\$ 8,786</u>	<u>\$ 318,828</u>
As a percentage of total costs	91%	6%	3%	100%

**HMONG CULTURAL CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENED DECEMBER 31, 2012**

Cash Flow From Operating Activity	
Increase (decrease) in net assets	\$ 41,532
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	4,703
(Increase) decrease in accounts receivable	627
(Increase) decrease in grants receivable	(21,555)
(Increase) decrease in employee receivable	(1,204)
(Increase) decrease in prepaid expenses	(5,745)
Decrease (increase) in accounts payable	1,861
Decrease (increase) in accrued liabilities	<u>722</u>
Cash Flow From Operating Activity	20,941
Cash Flow From Investing Activity	
Disposal of equipment	2,187
Purchase of equipment	<u>(1,010)</u>
Cash Flow From Investing Activity	1,177
Increase in Cash and Cash Equivalents	<u>22,118</u>
Cash and Cash Equivalents - Beginning of Year	<u>42,834</u>
Cash and Cash Equivalents - End of Year	<u><u>64,952</u></u>

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 assets, liabilities, net assets, revenues and expenses of the Organization are reported based upon net asset restrictions and the purposes for which resources are to be spent and the means by which spending activities are controlled. Net asset restrictions are categorized 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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Organization is a private nonprofit corporation, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income taxes are paid and contributions to the Organization may be tax deductible by the donor. The Organization is also exempt from Minnesota franchise or income tax. Generally, the Organization is no longer subject to examination by tax authorities for years before 2010.

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, 2012 that met the conditions for recognition.

Subsequent Events

The Company has evaluated subsequent events through July 10, 2013, the date which the financial statements were available to be issued.

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 2012.

Compensated Absences

Employees are allowed to carryover one week of paid time off. However the carryover amount is not paid at separation from the Organization. As a result, no provision has been made in the accompanying financial statements for recording the accrued vacation liability and related expenses at the end of the fiscal year.

Unpaid Volunteers

The Organization receives donated services from a variety of unpaid volunteers assisting the organization in program implementation. No amounts have been recognized in the accompanying statement of activities because the accounting standards criteria for recognition of such volunteer effort have not been satisfied. Nevertheless, volunteers give substantial hours and vastly improve the activities and projects of the Hmong Cultural Center.

**HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2. RECEIVABLES

Receivables at December 31, 2012 are as follows:

St. Paul Public Schools	\$60,563
Employee receivable	<u>1,204</u>
Total	<u>\$61,767</u>

NOTE 3. EQUIPMENT

Property and equipment included the following balances at December 31, 2012.

Office equipment	\$85,131
Vehicle	7,500
Less: Accumulated depreciation	<u>(85,149)</u>
Net equipment	<u>\$7,482</u>

Depreciation expense for the year-ended December 31, 2012 was \$4,703.

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 one year in advance. The minimum future lease payments are \$3,500. The rental expense and maintenance for fiscal year 2012 was \$43,465.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012:

Marriage song	\$ 15,000
Historical legacy	13,500
Medical waiver class	34,205
Cultural outreach	3,500
IRS Tax assistance	3,185
Resource Center	990
Hmong embroidery	858
Qeej instruments	3,464
Employee Training	<u>1,500</u>
Total	<u>\$ 76,202</u>

NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions because they complied with donor requirements for either program activities or time purposes.

Program activities satisfied	<u>\$ 23,766</u>
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Michael S. Wilson
Certified Public Accountant
Minneapolis, Minnesota

To the Board of Directors and
Management of Hmong Cultural Center

In planning and performing our audit of the financial statements of the Hmong Cultural Center as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Hmong Cultural Center ' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified no deficiencies in internal control that we consider to be material weaknesses but we did identify a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We are pleased to report we did not identify a material weakness.

Significant Deficiency

During our review of the pledges receivable, we noted that there was not a cash receipts register that records receipts when they arrive. We recommend the Organization record receipts in a separate log on the day that they are received. The receipts log can be reconciled to accounting records to make sure all receipts are complete. However, we also recognize the small size of the Organization and assume this change does not present any unnecessary burden on the Organization.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Michael S. Wilson, CPA

Michael S. Wilson

Michael S. Wilson
Certified Public Accountant
Minneapolis, Minnesota

Independent Auditor's Report

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

We have audited the accompanying financial statements of Hmong Cultural Center (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2012, 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 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.

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 the audit evidence we have obtained is sufficient and appropriate to provide a 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, 2012 and the results of 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.

Michael S. Wilson, CPA

Minneapolis, Minnesota
July 10, 2013

HMONG CULTURAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and equivalents	\$ 64,952
Contracts receivable	1,204
Employee receivable	60,563
Prepaid Expenses	<u>8,635</u>
Total Current Assets	<u>135,354</u>

Property and Equipment

Office equipment and vehicle	92,631
Accumulated Depreciation	(85,149)
Total Property and Equipment	<u>7,482</u>

Other Assets

Security Deposit	<u>1,900</u>
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Total Assets	<u><u>\$ 144,736</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 5,897
Accrued Payroll Liabilities	<u>8,565</u>
Total Current Liabilities	<u>14,462</u>

Net Assets

Unrestricted	
Undesignated	54,072
Temporarily Restricted	<u>76,202</u>
Total Net Assets	<u>130,274</u>

Total Liabilities and Net Assets	<u><u>\$ 144,736</u></u>
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