

HMONG CULTURAL CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

PREPARED BY:

MICHAEL S. WILSON AND ASSOCIATES

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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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, 2007 and 2006, 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, 2007 and 2006, 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.

*Michael S. Wilson, CPA*

May 23, 2008

HMONG CULTURAL CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash-Checking	\$ 168,983	\$ 108,650
Accounts Receivable	-	552
Prepaid Expenses	2,863	1,907
Contracts Receivable	47,332	53,497
<b>Total Current Assets</b>	<u>219,178</u>	<u>164,606</u>
 <b>Property and Equipment</b>		
Office Equipment	67,347	61,832
Accumulated Depreciation	(47,077)	(38,822)
<b>Total Property and Equipment</b>	<u>20,270</u>	<u>23,010</u>
 <b>Other Assets</b>		
Fiscal Sponsorship Cash - Hmong Resource Fair	13,171	7,552
Security Deposit	1,900	1,900
<b>Total Other Assets</b>	<u>15,071</u>	<u>9,452</u>
 <b>Total Assets</b>	<u>\$ 254,519</u>	<u>\$ 197,068</u>

LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>		
Accounts Payable	\$ 515	\$ 3,733
Accrued Payroll Liabilities	10,279	12,287
Fiscal Sponsorship - Hmong Resource Fair	13,171	7,552
<b>Total Current Liabilities</b>	<u>23,965</u>	<u>23,572</u>
 <b>Net Assets</b>		
Unrestricted		
Board Designated: Youth	1,139	4,209
Board Designated: Building Bridges	9,414	7,366
Undesignated	156,844	100,931
Temporarily Restricted	63,157	60,990
<b>Total Net Assets</b>	<u>230,554</u>	<u>173,496</u>
 <b>Total Liabilities and Net Assets</b>	<u>\$ 254,519</u>	<u>\$ 197,068</u>



HMONG CULTURAL CENTER, INC.  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 WITH COMPARATIVE TOTALS FOR 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
<b>PUBLIC SUPPORT, REVENUE, AND GAINS</b>				
<b>Public Support</b>				
Government grants	\$ 235,085	\$ -	\$ 235,085	\$ 163,451
Public support	37,674	65,000	102,674	141,183
Net assets released from restrictions	62,833	(62,833)	-	-
<b>Revenue</b>				
Interest income	520	-	520	111
Miscellaneous revenue	3,060	-	3,060	3,247
Total revenue, gains and other support	<u>339,172</u>	<u>2,167</u>	<u>341,339</u>	<u>307,992</u>
<b>EXPENSES</b>				
Program expenses	237,444	-	237,444	235,300
Management and general	30,200	-	30,200	27,853
Fundraising	16,637	-	16,637	20,988
Total Expenses	<u>284,281</u>	<u>-</u>	<u>284,281</u>	<u>284,141</u>
Change in net assets	54,891	2,167	57,058	23,851
Net assets at beginning of year	<u>112,506</u>	<u>60,990</u>	<u>173,496</u>	<u>149,645</u>
Net assets at end of year	<u>\$ 167,397</u>	<u>\$ 63,157</u>	<u>\$ 230,554</u>	<u>\$ 173,496</u>

HMONG CULTURAL CENTER, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 DECEMBER 31, 2007  
 WITH COMPARATIVE TOTALS FOR 2006

	Program Services	Management and General	Fundraising	Total 2007	Total 2006
Salaries	\$ 143,880	\$ 7,993	\$ 7,993	\$ 159,866	\$ 161,297
Payroll taxes and insurance	13,207	735	734	14,676	19,908
Benefits	6,928	385	385	7,698	6,058
Total salaries and related expenses	<u>164,015</u>	<u>9,113</u>	<u>9,112</u>	<u>182,240</u>	<u>187,263</u>
Supplies	3,691	205	205	4,101	5,421
Rent/Maintenance	35,137	1,952	1,952	39,041	39,811
Insurance	1,070	59	59	1,188	1,243
Communication	2,825	157	157	3,139	3,060
Postage	441	25	24	490	996
Contract services	5,635	9,084	2,985	17,704	15,729
Program expenses	15,682			15,682	10,008
Staff and board development		135		135	160
Printing	2,548	142	142	2,832	1,339
Equipment, maintenance, repairs	3,413	190	190	3,793	5,041
Events	754	295	1,811	2,860	3,798
Travel	1,178			1,178	748
Books and cultural items	869			869	789
Other expenses	186	588		774	847
Depreciation		8,255		8,255	7,888
Total Expenses	<u>\$ 237,444</u>	<u>\$ 30,200</u>	<u>\$ 16,637</u>	<u>\$ 284,281</u>	<u>\$ 284,141</u>



HMONG CULTURAL CENTER, INC.  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flow From Operating Activity</b>		
Increase (decrease) in net assets	\$ 57,058	\$ 23,851
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	8,255	7,888
Change in accounts receivable	552	(552)
Change in grants receivable	6,165	(22,141)
Change in prepaid expenses	(956)	(517)
Change in accounts payable	(3,218)	1,452
Change in accrued payroll liabilities	(2,008)	819
Change in agency accounts	-	(4,989)
<b>Cash Flow From Operating Activity</b>	<u>65,848</u>	<u>5,811</u>
<b>Cash Flow From Investing Activity</b>		
Purchase of equipment	<u>(5,515)</u>	<u>(5,715)</u>
<b>Cash Flow From Investing Activity</b>	<u>(5,515)</u>	<u>(5,715)</u>
<b>Increase in Cash and Cash Equivalents</b>	<u>60,333</u>	<u>96</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>108,650</u>	<u>108,554</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 168,983</u></u>	<u><u>\$ 108,650</u></u>

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**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, 2007**

**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, 2007 that met the conditions for recognition.

**HMONG CULTURAL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**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 2007.

**Compensated Absences**

The Organization allows employees to carry over 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, 2007**

**NOTE 2. RECEIVABLES**

Accounts receivable at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Costs to be reimbursed under contract with:		
St. Paul School District	\$47,332	\$46,497
Hmong American Partnership	---	7,000
Other accounts receivable	---	552
Total	<u>\$47,332</u>	<u>\$54,049</u>

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment included the following balances at December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Office equipment	\$64,937	\$59,422
Musical instruments	2,410	2,410
Less:		
Accumulated depreciation	<u>(47,077)</u>	<u>(38,822)</u>
Net property and equipment	<u>\$20,270</u>	<u>\$23,010</u>

Depreciation expense for the year-ended December 31, 2007 and 2006 was \$8,255 and \$7,888 respectively.

**HMONG CULTURAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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 and maintenance for fiscal year 2007 and 2006 for this office space was \$39,041 and \$39,811, respectively.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Building Bridges	\$39,791	\$30,681
Literacy	6,130	19,097
Resource Center	---	960
Men's Circle	14,236	---
Hmong Health	3,000	---
Youth activities	---	10,252
Total temporarily restricted	<u>\$63,157</u>	<u>\$60,990</u>

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

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

	<u>2007</u>	<u>2006</u>
Building Bridges	\$20,891	\$17,900
Youth activities	10,252	---
Learn about Hmong	12,000	---
Resource Center	960	4,724
Musical and Dance	11,374	---
Literacy	6,593	7,277
Men's Circle	763	---
Total net assets released	<u>\$62,833</u>	<u>\$29,901</u>