

**HMONG CULTURAL CENTER
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 AND 2021**

**PREPARED BY
MICHAEL S. WILSON
REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

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Michael S. Wilson
Certified Public Accountant
Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hmong Cultural Center

I have audited the accompanying financial statements of the Hmong Cultural Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hmong Cultural Center as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Michael S. Wilson, CPA

June 23, 2023

HMONG CULTURAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and equivalents	154,861	\$ 209,949
Contracts receivable	39,250	63,789
Grants and accounts receivable	21,165	17,320
Prepaid Expenses	15,750	15,750
Total Current Assets	231,026	318,454
 Property and Equipment		
Office equipment and vehicle	73,423	59,477
 Other Assets		
Prepaid office rent	26,460	42,210
Total Assets	\$ 330,909	\$ 420,141

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 6,891	\$ 5,419
Accrued Payroll Liabilities	11,662	14,736
Refundable advance	13,648	19,552.00
Total Current Liabilities	32,201	39,707
 Net Assets		
Net assets without restrictions		
Undesignated	213,905	165,483
Net assets with restrictions	84,803	214,950
Total Net Assets	298,708	380,433
Total Liabilities and Net Assets	\$ 330,909	\$ 420,140

HMONG CULTURAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Net assets without <u>restrictions</u>	Net assets with <u>Restrictions</u>	Total <u>2022</u>
Public Support, Revenue and Gains			
Public Support			
Grants - government	289,914	-	289,914
Donations and private grants	80,951	35,000	115,951
Net assets released from restrictions	115,680	(115,680)	-
Revenue			
Miscellaneous revenue	1,510	-	1,510
Total support and revenue	<u>488,055</u>	<u>(80,680)</u>	<u>407,375</u>
EXPENSES			
Program expenses	433,609	-	433,609
Management and general	42,408	-	42,408
Fundraising	13,084	-	13,084
Total Expenses	<u>489,101</u>	<u>-</u>	<u>489,101</u>
Change in net assets	(1,046)	(80,680)	(81,726)
Net assets at beginning of year	<u>214,951</u>	<u>165,483</u>	<u>380,434</u>
Net assets at end of year	<u><u>\$ 213,905</u></u>	<u><u>\$ 84,803</u></u>	<u><u>\$ 298,708</u></u>

HMONG CULTURAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Net assets without <u>restrictions</u>	Net assets with <u>Restrictions</u>	Total <u>2021</u>
Public Support, Revenue and Gains			
Public Support			
Grants - government	233,441	-	233,441
Gain on PPP loan forgiveness	50,600	-	50,600
Donations and private grants	104,638	161,107	265,745
Net assets released from restricti	233,082	(233,082)	-
Revenue			
Miscellaneous revenue	<u>0</u>	<u>-</u>	<u>-</u>
Total support and revenue	621,761	(71,975)	549,786
EXPENSES			
Program expenses	366,883	-	366,883
Management and general	41,124	-	41,124
Fundraising	<u>12,507</u>	<u>-</u>	<u>12,507</u>
Total Expenses	420,514	-	420,514
Change in net assets	201,247	(71,975)	129,272
Net assets at beginning of year	<u>13,703</u>	<u>237,458</u>	<u>251,161</u>
Net assets at end of year	<u>\$ 214,950</u>	<u>\$ 165,483</u>	<u>\$ 380,433</u>

HMONG CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2022</u>
Salaries	\$ 246,494	\$ 18,115	\$ 8,963	\$ 273,572
Payroll taxes and insurance	19,719	1,449	717	21,885
Benefits	0	0	0	0
Total salaries and related expenses	<u>266,213</u>	<u>19,564</u>	<u>9,680</u>	<u>295,457</u>
Supplies	7,460	30	16	7,506
Rent/Maintenance	52,459	3,855	1,908	58,222
Insurance	6,595	485	240	7,320
Communication	18,482	1,358	672	20,512
Contract services	9,810	1,407	-	11,217
Accounting	-	13,340	-	13,340
Resource center supplies	4,780	-	-	4,780
Staff and board development	-	315	-	315
Equipment, maintenance, repairs	4,534	333	164	5,031
Qeej Festival	34,973	-	-	34,973
Travel/transportation	14,341	-	-	14,341
Community outreach	2,856	-	-	2,856
Events and activities	-	-	-	0
Other expenses	-	905	-	905
Depreciation	<u>11,106</u>	<u>816</u>	<u>404</u>	<u>12,326</u>
Total Expenses	<u>\$ 433,609</u>	<u>\$ 42,408</u>	<u>\$ 13,084</u>	<u>\$ 489,101</u>
As a percentage of total costs	89%	9%	3%	100%

HMONG CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>
Salaries	\$ 218,912	\$ 17,283	\$ 8,200	\$ 244,395
Payroll taxes and insurance	17,521	1,383	656	19,560
Benefits	3,766	297	141	4,204
Total salaries and related expenses	<u>240,199</u>	<u>18,963</u>	<u>8,997</u>	<u>268,159</u>
Supplies	8,509	388	184	9,081
Rent/Maintenance	52,459	4,142	1,965	58,566
Insurance	4,603	363	172	5,138
Communication	17,899	1,413	670	19,982
Contract services	11,559	444	-	12,003
Accounting	-	13,380	-	13,380
Resource center supplies	16,346	-	-	16,346
Staff and board development	-	-	-	0
Equipment, maintenance, repairs	9,065	716	340	10,121
Travel/transportation	1,467	-	-	1,467
Other expenses	-	938	-	938
Depreciation	<u>4,777</u>	<u>377</u>	<u>179</u>	<u>5,333</u>
Total Expenses	<u>\$ 366,883</u>	<u>\$ 41,124</u>	<u>\$ 12,507</u>	<u>\$ 420,514</u>
As a percentage of total costs	87%	10%	3%	100%

HMONG CULTURAL CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash Flow From Operating Activity	<u>2022</u>	<u>2021</u>
Increase (decrease) in net assets	(81,726)	\$ 129,272
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	12,326	5,333
(Increase) decrease in accounts receivable	325	(325)
(Increase) decrease in pledges receivable	(1,438)	25,330
(Increase) decrease in grants receivable	24,539	(42,077)
(Increase) decrease in prepaid expenses	8,914	(9,020)
(Increase) decrease in museum space	-	(15,750)
Decrease (increase) in accounts payable	1,472	1,324
Decrease (increase) in accrued liabilities	(3,074)	8,824
Decrease (increase) in refundable advance	(5,904)	19,552
	<hr/>	<hr/>
Cash Flow From Operating Activity	(44,566)	122,463
Cash Flow From Investing Activity		
Decrease in prepaid museum rent	15,750	(42,210)
Purchase of equipment	(26,272)	(49,439)
	<hr/>	<hr/>
Cash Flow From Investing Activity	(10,522)	(91,649)
Increase in Cash and Cash Equivalents	<hr/>	<hr/>
	(55,088)	30,814
Cash and Cash Equivalents - Beginning of Year	<hr/>	<hr/>
	209,949	179,134
Cash and Cash Equivalents - End of Year	<hr/> <hr/>	<hr/> <hr/>
	154,861	209,948

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**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets Classifications

Hmong Cultural Center reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions are not subject to donor-imposed restrictions and represent funds that are fully available, at the discretion of management and the Board of Directors for Hmong Cultural Center to utilize for any of its programs or supporting services.
- Net assets with donor restrictions are comprised of funds that are restricted by donors for specific purposes or time periods

Cash and Cash Equivalents

For purposes of the statements of cash flows, Hmong Cultural Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances.

The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivable when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

All major expenditures for furniture and equipment, are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method over the useful life of the asset, ranging from three to ten years. When the Organization commits to the disposal or abandonment of equipment, the assets are written off or down to the net realizable value. The cost of maintenance and repairs is charged to expense as incurred.

Revenue Recognition

Revenues and public support are reported as an increase in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are recognized as an increase or a decrease in unrestricted net assets unless their use is restricted by explicit donor stipulations. Expirations of restrictions on net assets are reported as net assets released from restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions, the restriction of which are met in the same year as the contributions is made, are reported as unrestricted contributions.

Government Grants and Contracts

Government grants and contract funds are considered exchange contracts and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Hmong Cultural Center will record such disallowance at the time the final assessment is made.

Donated Material and Services

Contributed services are recorded as contributions, at fair value, when the service creates or enhances non-financial asset or donation. Some unpaid volunteers have made contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the requirements for recognition in the financial statements.

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Pledges Receivable)

Unconditional promises to give are recognized in the period the promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and functional expenses.

Functional Expenses

The majority of expenses are directly identified with the program or supporting services to which they relate. Expenses not directly identifiable by function are allocated to program and supporting services on the basis of service and effort or space occupied determined by management.

Tax Exempt Status

Hmong Cultural Center is recognized by the Internal Revenue Services (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is generally not subject to income taxes, except for taxes pertaining to unrelated business income. Hmong Cultural Center is exempt from state taxes under Minnesota Statute 290.05. Therefore, there is no provision for income taxes, and unrelated income subject to tax is considered to be insignificant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Ultimate results could differ from those estimates.

Concentrations of Risk

Hmong Cultural Center performs within the Twin Cities area. The amounts related to contracts receivable are specifically from local governments and institutions. Hmong Cultural Center also maintains its cash deposits at financial institution where balances, at times, may exceed federally insured limits. Hmong Cultural Center has not experienced any losses in such accounts.

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 3: RECEIVABLES

Hmong Cultural Center recognizes receivables as pledges receivable as future unconditional promises made by donors, or contracts receivable from earned income related to private foundations, governments and other grantors. Management has determined there is no allowance for uncollectible accounts at year-end.

Current receivables	<u>2022</u>	<u>2021</u>
Contracts receivable	\$39,250	\$ 64,114
Grant receivable	<u>21,165</u>	<u>16,995</u>
Total current receivables	<u>\$60,419</u>	<u>\$81,109</u>

NOTE 4: PROPERTY AND EQUIPMENT

Fixed assets consisted of the following balances at December 31,	<u>2022</u>	<u>2021</u>
Office equipment	111,070	\$110,070
Leasehold improvements	63,492	37,220
Artifact exhibits	4,500	4,500
Van	<u>9,825</u>	<u>9,825</u>
Total Cost	188,887	161,615
Accumulated depreciation	<u>(115,464)</u>	<u>(103,138)</u>
Net book value	<u>\$ 73,423</u>	<u>\$ 58,477</u>

Depreciation expense of \$5,333 and \$3,740 was recorded for the years ending 2022 and 2021 respectively.

NOTE 5: NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following balances at December 31:

	<u>2022</u>	<u>2021</u>
Program restricted contributions	\$84,803	\$165,483
Time restricted contributions	<u>---</u>	<u>---</u>
Total restricted contributions	<u>\$84,803</u>	<u>\$165,483</u>

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 6: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consisted of the following amounts at December 31

	<u>2022</u>	<u>2021</u>
Program restricted contributions	\$115,680	\$233,082
Time restricted contributions	---	---
Total restricted contributions	<u>\$115,680</u>	<u>\$233,082</u>

NOTE 7: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued June 24, 2023

NOTE 8: INCOME TAX UNCERTAINTIES

The Organization follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in the entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that is not certain to be realized. The application of this standard has no impact on the Organization's financial statements.

The Organization's tax returns are subject to review and examination by federal, state, and local authorities. The tax returns for the years 2019 to 2022 are open to examination by federal, state, and local authorities.

NOTE 9. PAYCHECK PROTECTION PROGRAM LOAN

Hmong Cultural Center initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. Hmong Cultural Center recognized \$0 and \$50,600 of loan forgiveness income for the years ended December 31, 2022 and 2021, respectively.

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10. LIQUIDITY

Hmong Cultural Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Hmong Cultural Center’s financial assets at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 154,861	\$ 209,949
Receivables	<u>60,419</u>	<u>81,109</u>
Total financial assets	215,280	291,059
Less: donor imposed restrictions	<u>84,803</u>	<u>165,483</u>
Financial assets available to meet		
Cash needs for general expenditures in one year	<u>\$ 130,477</u>	<u>\$ 125,575</u>

Hmong Cultural Center regularly monitors liquidity required to meet its operating needs and other commitments. In addition, to financial assets available to meet general expenditures over the next three months, Hmong Cultural Center prepares a budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 14. LINE OF CREDIT

The Organization has a \$60,000 revolving line of credit with US Bank, secured by an agreement dated July 31, 2017. Borrowings under the line bear interest at 7.75%. The agreement requires compliance with certain financial covenants. The outstanding balance was \$0 at December 31, 2022. The line of credit renews each year with an annual fee of \$150.

**HMONG CULTURAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 13. LEASE COMMITMENT

Hmong Cultural Center (HCC) determines if any arrangements contains a lease at inception of an agreement. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. HCC does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

In 2021, HCC entered into a long-term lease agreement for their museum location through 2025. The organization prepaid this lease agreement, and it is recognized as a prepaid expense in the financial statements as a current asset for the amount for the amount that will expire over the next twelve months, and as Other Assets for the prepayment of the lease for periods longer than one year.