

HMONG CULTURAL CENTER, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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

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Michael S. Wilson
Certified Public Accountant
Minneapolis, Minnesota

Independent Auditor's Report

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

I have audited the accompanying financial statements of Hmong Cultural Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 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'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 my audit. I conducted my 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 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, 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 Hmong Cultural Center as of December 31, 2014, and the changes in 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
October 12, 2015

HMONG CULTURAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current Assets

Cash and equivalents	\$ 9,895
Contracts receivable	1,494
Pledges receivable	50,000
Grants receivable	31,746
Prepaid Expenses	5,304
Total Current Assets	<u>98,439</u>

Property and Equipment

Office equipment and vehicle	96,210
Accumulated Depreciation	(92,389)
Total Property and Equipment	<u>3,821</u>

Total Assets	<u><u>\$ 102,260</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 1,952
Accrued Payroll Liabilities	12,183
Total Current Liabilities	<u>14,135</u>

Net Assets

Unrestricted	
Undesignated	5,831
Temporarily Restricted	82,294
Total Net Assets	<u>88,125</u>

Total Liabilities and Net Assets	<u><u>\$ 102,260</u></u>
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HMONG CULTURAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>
Public Support, Revenue and Gains			
Public Support			
Grants - government	238,113	-	238,113
Donations and private grants	4,621	43,000	47,621
Net assets released from restrictions	59,080	(59,080)	-
Revenue			
Interest income	5	-	5
Miscellaneous revenue	3,812	-	3,812
Total support and revenue	<u>305,631</u>	<u>(16,080)</u>	<u>289,551</u>
EXPENSES			
Program expenses	312,065	-	312,065
Management and general	40,115	-	40,115
Fundraising	15,991	-	15,991
Total Expenses	<u>368,171</u>	<u>-</u>	<u>368,171</u>
Change in net assets	(62,540)	(16,080)	(78,620)
Net assets at beginning of year	<u>68,371</u>	<u>98,374</u>	<u>166,745</u>
Net assets at end of year	<u>\$ 5,831</u>	<u>\$ 82,294</u>	<u>\$ 88,125</u>

HMONG CULTURAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2014</u>
Salaries	\$ 172,777	\$ 14,499	\$ 10,145	\$ 197,421
Payroll taxes and insurance	16,588	1,392	974	18,954
Benefits	29,097	2,442	1,708	33,247
Total salaries and related expenses	<u>218,462</u>	<u>18,333</u>	<u>12,827</u>	<u>249,622</u>
Supplies	5,021	421	295	5,737
Rent/Maintenance	31,875	2,675	1,871	36,421
Insurance	4,608	387	270	5,265
Communication	4,849	407	285	5,541
Contract services	10,600	14,261	-	24,861
Citizenship expenses	21,460	-	-	21,460
Other program expenses	5,491	-	-	5,491
Staff and board development	-	87	-	87
Printing	1,422	119	84	1,625
Equipment, maintenance, repairs	3,603	302	212	4,117
Travel/transportation	2,191	-	-	2,191
Travel	0	-	-	0
Bank charges	-	487	-	487
Other expenses	-	720	-	720
	-	1,709	-	1,709
Depreciation	<u>2,483</u>	<u>207</u>	<u>147</u>	<u>2,837</u>
Total Expenses	<u>\$ 312,065</u>	<u>\$ 40,115</u>	<u>\$ 15,991</u>	<u>\$ 368,171</u>
As a percentage of total costs	85%	11%	4%	100%

**HMONG CULTURAL CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENED DECEMBER 31, 2014**

Cash Flow From Operating Activity	
Increase (decrease) in net assets	\$ (78,620)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	2,837
(Increase) decrease in accounts receivable	(1,309)
(Increase) decrease in pledges receivable	
(Increase) decrease in grants receivable	(1,617)
(Increase) decrease in prepaid expenses	(849)
Decrease (increase) in accounts payable	(1,016)
Decrease (increase) in accrued liabilities	<u>(139)</u>
Cash Flow From Operating Activity	(80,713)
Cash Flow From Investing Activity	
Cash collected from security deposit	1,900
Purchase of equipment	<u>(2,575)</u>
Cash Flow From Investing Activity	(675)
Increase in Cash and Cash Equivalents	<u>(81,388)</u>
Cash and Cash Equivalents - Beginning of Year	<u>91,283</u>
Cash and Cash Equivalents - End of Year	<u><u>9,895</u></u>

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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, 2014 that met the conditions for recognition.

Subsequent Events

The Company has evaluated subsequent events through October 12, 2015, the date which the financial statements were available to be issued.

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 2014.

Compensated Absences

Employees are not allowed to carryover paid time off into the next fiscal year. As a result, no accrued vacation liability exists 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, 2014

NOTE 2. RECEIVABLES

Contracts receivables at December 31, 2014 are as follows:

St. Paul Public Schools	\$21,242
Minnesota Department of Education	<u>10,504</u>
Total accounts receivable	<u>\$31,746</u>

Grants receivable at December 31, 2014 are as follows

Time restricted library capacity grant	<u>\$50,000</u>
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Other receivables	<u>\$ 1,494</u>
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Management expects all receivables to be collected timely.

NOTE 3. EQUIPMENT

Property and equipment included the following balances at December 31, 2014.

Office equipment	\$88,710
Vehicle	7,500
Less: Accumulated depreciation	<u>(92,389)</u>
Net equipment	<u>\$3,821</u>

Depreciation expense for the year-ended December 31, 2014 was \$2,837.

HMONG CULTURAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. LEASE COMMITMENTS

The Organization leases office space for program and administrative activities on University Avenue in St. Paul. The three year annual lease commenced in 2013 and requires monthly payments of \$3,000. The minimum future lease payments require monthly payments until December 2015. The rental expense and maintenance for fiscal year 2014 was \$36,421.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014:

Library capacity	\$ 53,294
Historical legacy library	10,000
Qeej video project	10,000
Cultural outreach	3,000
IRS Tax assistance	2,433
Qeej video	2,693
Marriage song	<u>874</u>
Total	<u>\$ 82,294</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>\$ 59,080</u>
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