

**SABATHANI COMMUNITY CENTER, INC.
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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
Sabathani Community Center

I have audited the accompanying financial statements of Sabathani Community Center (a non-profit corporation) which comprise the statements of financial position as of December 31, 2016, and December 31, 2015 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 representation 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 audits. I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit also includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. These 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 controls 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 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sabathani Community Center as of December 31, 2016 and 2015 and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Michael S. Wilson, CPA

April 7, 2017

Minneapolis, Minnesota

**SABATHANI COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 350,255	\$ 223,947
Tenant rents receivable, net of allowance	96,478	203,994
Accounts receivable	3,437	-
Grants receivable	-	190,000
Contracts receivable, net of allowance	90,988	28,775
Prepaid expenses	5,854	6,475
Total Current Assets	<u>547,012</u>	<u>653,191</u>
Long Term Assets		
Construction in progress	194,650	23,992
Investments held for capital improvements	-	303,923
Investments	549,385	538,071
	<u>744,035</u>	<u>865,986</u>
Property and Equipment		
Fixed assets	838,247	739,951
Total Assets	<u>\$ 2,129,294</u>	<u>\$ 2,259,128</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 118,030	\$ 72,160
Accrued expenses	54,447	117,833
Total Current Liabilities	<u>172,477</u>	<u>189,993</u>
Long Term Liabilities		
Security deposit	37,687	36,094
Total Liabilities	210,164	226,087
Net Assets		
Unrestricted	1,915,878	977,291
Unrestricted board designated	-	718,575
Total unrestricted	<u>1,915,878</u>	<u>1,695,866</u>
Temporarily restricted	3,252	337,175
Total Net Assets	<u>1,919,130</u>	<u>2,033,041</u>
Total Liabilities and Net Assets	<u>\$ 2,129,294</u>	<u>\$ 2,259,128</u>

The accompanying notes are an integral part of these financial statements

SABATHANI COMMUNITY CENTER
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2016 <u>Total</u>	2015 <u>Total</u>
Support and revenue:				
Contributions	\$ 371,253	\$ 28,806	\$ 400,059	\$ 426,363
United Way	328,834	-	328,834	403,986
Government contracts	478,470	-	478,470	178,588
Rental income	953,537	-	953,537	967,113
Program service fees	2,635	-	2,635	7,478
Investment income	7,405	-	7,405	7,214
Special events, net	3,870	-	3,870	3,439
Miscellaneous	12,037	-	12,037	9,192
In-kind donations	200,000	-	200,000	
Net assets released from restrictions	362,729	(362,729)	-	-
Total Support and Revenue	<u>2,720,770</u>	<u>(333,923)</u>	<u>2,386,847</u>	<u>2,003,373</u>
Expenses				
Program expenses				
Family Resources	738,485	-	738,485	493,117
Horizons Youth	203,157	-	203,157	203,643
Senior Center	155,849	-	155,849	145,579
Health and Wellness	146,496	-	146,496	136,969
Building operations	633,481	-	633,481	
Community events	53,770	-	53,770	631,353
Total program expenses	1,931,238	-	1,931,238	1,610,660
Supporting services				
Management and general	386,101	-	386,101	437,018
Fundraising	69,313	-	69,313	61,467
Total expenses	<u>2,386,652</u>	<u>-</u>	<u>2,386,652</u>	<u>2,109,145</u>
Change in net assets	334,118	(333,923)	195	(105,772)
Net assets beginning of the year as reported	1,695,866	337,175	2,033,041	2,138,813
Prior period adjustment	(114,106)	-	(114,106)	-
Net assets, beginning of year restated	<u>1,581,760</u>	<u>337,175</u>	<u>1,918,935</u>	<u>2,138,813</u>
Net assets, end of year	<u>1,915,878</u>	<u>3,252</u>	<u>1,919,130</u>	<u>2,033,041</u>

The accompanying notes are an integral part of these financial statements

**SABATHANI COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Family Resources	Horizons Youth	Senior Center	Health & Wellness	Building Operations	Community Events	Program Services	Management & General	Fundraising	2016	2015
Salaries	131,289	78,735	73,054	52,891	154,108	-	490,077	121,369	32,726	644,172	624,085
Payroll taxes	18,689	6,149	5,571	3,955	12,098	-	46,462	25,749	2,259	74,470	80,846
Benefits	7,028	5,889	7,985	6,141	9,241	-	36,284	23,376	250	59,910	83,268
Total personnel	157,006	90,773	86,610	62,987	175,447	-	572,823	170,494	35,235	778,552	788,200
Staff development	950	1,000	265	-	8,525	-	10,740	707	1,770	13,217	20,125
Occupancy	245,497	63,632	45,096	13,440	149,983	12,455	530,103	29,375	-	559,478	510,895
Program expenses	165,324	19,733	7,547	39,797	1,209	17,777	251,387	-	-	251,387	213,416
Professional fees	99,949	18,626	9,650	29,758	65,764	12,306	236,053	89,528	30,706	356,287	277,854
Office expense	9,102	7,886	5,427	514	12,024	4,571	39,524	13,577	1,557	54,658	44,020
Insurance	-	-	-	-	346	-	346	41,327	-	41,673	46,940
Furniture and equipment	4,194	-	-	-	27	2,425	6,646	23,117	-	29,763	24,292
Transportation	4,221	1,329	1,087	-	1,306	-	7,943	13,556	-	21,499	8,844
Miscellaneous	206	125	114	-	-	41	486	2	44	532	935
Dues, licenses and subscriptions	-	-	-	-	-	4,195	4,195	-	1	4,196	-
Public relations and marketing	-	-	-	-	-	-	-	-	-	-	627
Bad debts	-	-	-	-	79,176	-	79,176	-	-	79,176	29,647
Subgrantees	52,036	-	-	-	-	-	52,036	-	-	52,036	-
Bank and credit card fees	-	53	53	-	-	-	106	4,418	-	4,524	4,590
Total expenses before depreciation	738,485	203,157	155,849	146,496	493,807	53,770	1,791,564	386,101	69,313	2,246,978	1,970,385
Depreciation	-	-	-	-	139,674	-	139,674	-	-	139,674	138,760
Total Expenses	738,485	203,157	155,849	146,496	633,481	53,770	1,931,238	386,101	69,313	2,386,652	2,109,145
As a percentage of total expenses	31%	9%	7%	6%	27%	2%	81%	16%	3%	1	1

The accompanying notes are an integral part of of these financial statements

**SABATHANI COMMUNITY CENTER
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Cash Flow From Operating Activities	<u>2016</u>	<u>2015</u>
Increase (decrease) in net assets	195	(105,772)
		-
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Prior period adjustment	(114,106)	0
Depreciation	139,674	138,760
Unrealized gain on investments	-	(7,090)
Bad debt expense	79,176	29,647
(Increase) decrease in assets:		
Accounts receivable	24,903	7,724
Grants receivable	190,000	(183,900)
Contracts receivable	(62,213)	(43,118)
Prepaid expenses	621	(4,013)
Increase (decrease) in liabilities:		
Accounts payable	45,870	34,472
Accrued payroll and benefits	(63,386)	37,268
Security deposit	1,595	1,575
Deferred rent	-	-
Total adjustments	<u>242,134</u>	<u>11,325</u>
Cash flow from operating activities	<u>242,329</u>	<u>(94,447)</u>
 Cash Flow From Investing Activities		
Purchase of property plan and equipment	(237,972)	(110,822)
Investment in construction in progress	(170,658)	(23,992)
(Purchase) Sale of investments	<u>292,609</u>	<u>-</u>
Cash flow from investing activities	(116,021)	(134,814)
 Decrease in Cash and Cash Equivalents	<u>126,308</u>	<u>(229,261)</u>
 Cash and Cash Equivalents - Beginning of Year	<u>223,947</u>	<u>453,208</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 350,255</u>	<u>\$ 223,947</u>
 Supplemental disclosure:		
Cash paid for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 1. ORGANIZATION

Sabathani Community Center, Inc. (Sabathani) is a multi-purpose social service center committed to making a difference in people's lives by providing access to quality programs and human services. The programs presently conducted by Sabathani include the following:

Family Resource Services

A resource center to meet basic family needs through counseling, resource education, food and clothing shelves, housing information and referrals, advocacy and case follow-up.

Horizons Youth

An after-school program that assists youth in overcoming barriers to social, emotional, and educational development. The program focuses on math and reading, plus opportunities to learn computer skills.

Health & Wellness

An integrated health and wellness initiative that focuses on preventative care and health education. The program features a pediatric clinic and health and wellness classes to encourage healthy lifestyle choices.

Senior Center

A senior center that provides a supportive social environment for the elderly. Activities include medical and legal clinics, hot meal programs, field trips, workshops, daily open lounge, as well as information, referral and advocacy services for seniors.

Building Operations

Building Operations provides office and program space to nonprofit organizations and small businesses. The land and buildings were renovated for this purpose. Building Operations is operated as an independent component of the community center. As such, community service programs are considered tenants of the Building Operations with rent paid under an annual lease. The rental income and expenses have been eliminated and appropriate occupancy costs have been allocated to the community service programs.

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.

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Classifications

Sabathani reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets 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 Sabathani to utilize for any of its programs or supporting services.
- Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets are subject to a donor-imposed restriction that they be maintained permanently by Sabathani. At December 31, 2016 and 2015, Sabathani held no permanently restricted net assets.

Cash and Cash Equivalents

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

Accounts Receivable

Sabathani extends credit to its customers on terms it establishes for individual customers. 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.

Property and Equipment

All major expenditures for furniture, equipment, and building improvements 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 thirty-five 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. Significant renewals or betterments are capitalized.

SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporary 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, Sabathani Community Center, Inc. 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.

Promises to Give (Grants 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.

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 salaries, space occupied, and other bases determined by management.

Tax Exempt Status

Sabathani 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. Sabathani 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.

Advertising

Advertising and promotion costs are expensed as incurred.

Concentrations of Risk

Sabathani provides services within the Twin Cities area. The amounts related to contracts receivable are specifically from local governments and institutions.

Sabathani maintains its cash in deposit accounts at a financial institution where balances, at times, may exceed federally insured limits. Sabathani has not experienced any losses in such accounts.

Reclassifications

Certain account balances have been reclassified to make the 2015 presentation consistent with the 2016 presentation.

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 3: TENANT RECEIVABLES

Sabathani's management is also responsible for estimating the amount of uncollectible accounts and uses an aging schedule to determine uncollectible accounts. At December 31, the following status of tenant receivables was recognized in the financial records.

	<u>2016</u>	<u>2015</u>
Tenant receivables	\$ 99,987	\$ 263,213
Less: Allowance for doubtful accounts	<u>3,000</u>	<u>59,219</u>
Tenant receivables, net of allowance	<u>\$ 96,478</u>	<u>\$203,994</u>

NOTE 4: INVESTMENTS

Sabathani maintains a diversified investment portfolio that includes restricted and unrestricted investments. Restricted investments are related to a capital campaign from 2000 to raise money for capital improvements. Amounts collected were restricted by donors to investments in property and equipment. An analysis was performed in 2016 that determined that Sabathani had used all of the capital campaign funds in compliance with donor restrictions. At December 31, the amount of investments that were restricted and unrestricted were as follows:

	<u>2016</u>	<u>2015</u>
Capital Restricted Investments	\$ ---	\$ 303,923
Unrestricted Investments	<u>549,385</u>	<u>538,071</u>
Total Investments	<u>\$ 549,385</u>	<u>\$ 841,994</u>

Sabathani held investments in a diversified portfolio that contained the following balances at December 31:

	<u>2016</u>	<u>2015</u>
Marketable Debt Securities	\$ 292,241	\$ 348,898
Money Market Funds	<u>257,144</u>	<u>493,096</u>
Total Investments	<u>\$ 549,385</u>	<u>\$ 841,994</u>

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 4: INVESTMENTS (CONTINUED)

The following table presents information on investments for the year ended December 31,

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 841,994	\$ 835,037
Contributions	---	---
Distributions	(300,000)	---
Investment Returns (dividends, realized, and unrealized gains)	<u>7,391</u>	<u>6,958</u>
Investment Balance	<u>\$ 549,383</u>	<u>\$ 841,994</u>

NOTE 5: FAIR VALUE

Sabathani adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment.

Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments
- Level 2: Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3: Significant unobservable inputs

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2016:

	<u>2016</u>	<u>2015</u>
Level I: Quoted Prices		
Money Market Funds	\$ 257,144	\$ 497,047
Marketable Debt Securities	<u>292,241</u>	<u>355,898</u>
Total Investments	<u>\$ 549,385</u>	<u>\$ 841,994</u>

NOTE 6: CONSTRUCTION IN PROGRESS

The amount of fixed assets not held for use in operations reflects investments made in the costs necessary to build a senior facility on the Sabathani property. This multi-million long term project that is in the initial planning phase is expected to not become available until 2020 at the earliest.

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 7: PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land, Building and Improvements	\$ 6,186,780	\$ 5,948,879
Furniture and Equipment	404,325	404,325
Vehicles	<u>76,224</u>	<u>76,224</u>
Total Investment	\$ 6,667,349	\$ 6,429,448
Accumulated Depreciation (less)	<u>5,829,102</u>	<u>5,689,497</u>
Investment Balance	<u>\$ 838,247</u>	<u>\$ 739,951</u>

Depreciation expenses of \$139,674 and \$138,760 were recorded for the years ending December 31, 2016 and 2015 respectively.

NOTE 8: RETIREMENT PLAN

Sabathani maintains a 401(k) defined contribution pension plan covering substantially all of its employees. This plan provides benefits to employees based on the individual account balance each employee has accumulated in the plan at retirement. Sabathani matched employee contributions at 4%. The amount of the match was for the years' ended December 31, 2016 and 2015. The amount of the match was \$8,075 and \$50,537 for the period from 2011-2015.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following balances at December 31:

	<u>2016</u>	<u>2015</u>
Future Years Program Support	\$ 3,252	\$ 33,252
Capital Campaign Assets	<u>---</u>	<u>303,923</u>
Total Temporary Restricted Net Assets	<u>\$ 3,252</u>	<u>\$ 337,135</u>

NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2016</u>	<u>2015</u>
Program Support	\$ 28,606	\$ 10,000
Expiration of Time Restrictions	30,000	15,000
Building Improvements and Renovation	<u>304,123</u>	<u>76,350</u>
Total Temporary Restricted Net Assets	<u>\$ 362,729</u>	<u>\$ 101,350</u>

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 11: BOARD DESIGNATED NET ASSETS

The Board of Directors has designated unrestricted net assets as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Sabathani Fund	\$ ---	\$ 383,918
Building Operations/ Capital Reserve Total Board	---	334,657
Total	<u>\$ ---</u>	<u>\$718,575</u>

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued, April 7, 2017. There are no subsequent events required to be disclosed in accordance with accounting standards.

NOTE 13: 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 2012 to 2016 are open to examination by federal, state, and local authorities.

NOTE 14: PRIOR PERIOD ADJUSTMENT

The history of the SCC facilities includes leasing to many tenants with activities that are consistent with the SCC mission, and therefore in certain cases, SCC has a history of being lenient in managing rent collections. In prior years, SCC's billing process included excess billings, rent discounts and other errors due to the turnover of tenants and financial difficulties experienced by tenants. An analysis was performed in 2016 by SCC management that reconciled billing records with collection records on the status of tenant receivables. It was determined that tenant receivables and income from prior periods were overstated due to problems with the billing process. Based on a reconciliation of tenant records, a total of \$114,106 was recognized as the total amount of excess billings in prior periods. In 2016, improvements in internal control were implemented to make the billing process accurate and timely.

**SABATHANI COMMUNITY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2016**

NOTE 15: IN-KIND CONTRIBUTION

The SCC was the beneficiary of a large gift from a major corporation of playground equipment. The gift was valued at the fair value of the equipment received and recognized as a fixed asset. Depreciation of the equipment will be made over a X period. The equipment was made available to the SCC program participants and general public.