

**SABATHANI COMMUNITY CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**PREPARED BY**

**ROGERS AND COMPANY**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Sabathani Community Center, Inc.

We have audited the accompanying financial statements of Sabathani Community Center, Inc. (a nonprofit organization), 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. The prior year summarized comparative information has been derived from Sabathani Community Center, Inc.'s 2011 financial statements and, in our report dated September 12, 2012, we expressed an unqualified opinion on those 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*

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sabathani Community Center, Inc. as of December 31, 2012, 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.

November 20, 2013

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

| <b>ASSETS</b>   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| Current Assets  |                     |                     |
| Cash and Cash Equivalents   | \$ 735,512          | \$ 810,596          |
| Accounts Receivable   | 66,854              | 29,410              |
| Grants Receivable   | 123,771             | 13,750              |
| Accrued Interest Receivable   | 3,310               | 3,479               |
| Prepaid Expenses  | <u>44,810</u>       | <u>12,717</u>       |
| Total Current Assets  | 974,257             | 869,952             |
| Investments   | 824,349             | 792,245             |
| Property and Equipment, Net of Accumulated<br>Depreciation of \$5,329,131 and \$5,165,206 and in<br>2012 and 2011, respectively | <u>655,350</u>      | <u>729,645</u>      |
| Total Assets  | <u>\$ 2,453,956</u> | <u>\$ 2,391,842</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>   |                     |                     |
| Current Liabilities   |                     |                     |
| Accounts Payable  | \$ 106,352          | \$ 50,995           |
| Accrued Expenses  | 84,278              | 77,173              |
| Deferred Rent Revenue   | <u>4,461</u>        | <u>19,061</u>       |
| Total Current Liabilities   | 195,091             | 147,229             |
| Security Deposits   | <u>32,044</u>       | <u>36,339</u>       |
| Total Liabilities   | 227,135             | 183,568             |
| Net Assets  |                     |                     |
| Unrestricted  |                     |                     |
| Undesignated  | 906,029             | 827,258             |
| Board Designated  | <u>817,351</u>      | <u>817,351</u>      |
| Total Unrestricted Net Assets   | 1,723,380           | 1,644,609           |
| Temporarily Restricted  | <u>503,441</u>      | <u>563,665</u>      |
| Total Net Assets  | <u>2,226,821</u>    | <u>2,208,274</u>    |
| Total Liabilities and Net Assets  | <u>\$ 2,453,956</u> | <u>\$ 2,391,842</u> |

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2012**  
**WITH COMPARATIVE TOTALS FOR 2011**

|                                       | 2012                |                                   |                     | <u>2011</u>         |
|---------------------------------------|---------------------|-----------------------------------|---------------------|---------------------|
|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |                     |
| <b>SUPPORT AND REVENUE</b>            |                     |                                   |                     |                     |
| Contributions                         | \$ 388,712          | \$ 94,423                         | \$ 483,135          | \$ 618,365          |
| United Way                            | 411,086             | -                                 | 411,086             | 443,205             |
| Government Contracts                  | 89,852              | -                                 | 89,852              | 36,340              |
| Rental Income                         | 812,375             | -                                 | 812,375             | 724,221             |
| Program Service Fees                  | 9,100               | -                                 | 9,100               | 17,265              |
| Investment Income                     | 32,678              | -                                 | 32,678              | 29,437              |
| Special Events (net)                  | (7,268)             | -                                 | (7,268)             | -                   |
| Miscellaneous Income                  | 24,096              | -                                 | 24,096              | 1,385               |
| Net Assets Released from Restrictions | <u>154,647</u>      | <u>(154,647)</u>                  | <u>-</u>            | <u>-</u>            |
| Total Support and Revenue             | 1,915,278           | (60,224)                          | 1,855,054           | 1,870,218           |
| <b>EXPENSES</b>                       |                     |                                   |                     |                     |
| Program Services:                     |                     |                                   |                     |                     |
| Family Resource Services              | 394,773             | -                                 | 394,773             | 410,518             |
| Horizons Youth                        | 212,877             | -                                 | 212,877             | 224,409             |
| Health and Wellness                   | 92,831              | -                                 | 92,831              | 52,525              |
| Senior Center                         | 134,871             | -                                 | 134,871             | 136,491             |
| Building Operations                   | <u>469,265</u>      | <u>-</u>                          | <u>469,265</u>      | <u>508,775</u>      |
| Total Program Services                | 1,304,617           | -                                 | 1,304,617           | 1,332,718           |
| Supporting Services:                  |                     |                                   |                     |                     |
| Management and General                | 439,994             | -                                 | 439,994             | 405,459             |
| Fundraising                           | <u>91,896</u>       | <u>-</u>                          | <u>91,896</u>       | <u>101,193</u>      |
| Total Supporting Services             | 531,890             | -                                 | 531,890             | 506,652             |
| Total Expenses                        | <u>1,836,507</u>    | <u>-</u>                          | <u>1,836,507</u>    | <u>1,839,370</u>    |
| <b>CHANGE IN NET ASSETS</b>           | 78,771              | (60,224)                          | 18,547              | 30,848              |
| Net Assets, Beginning of Year         | <u>1,644,609</u>    | <u>563,665</u>                    | <u>2,208,274</u>    | <u>2,177,426</u>    |
| Net Assets, End of Year               | <u>\$ 1,723,380</u> | <u>\$ 503,441</u>                 | <u>\$ 2,226,821</u> | <u>\$ 2,208,274</u> |

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**  
**WITH COMPARATIVE TOTALS FOR 2011**

2012

|                                      | Program Services         |                   |                   |                   |                     | Supporting Services  |                   |                  | 2011              |                     |
|--------------------------------------|--------------------------|-------------------|-------------------|-------------------|---------------------|----------------------|-------------------|------------------|-------------------|---------------------|
|                                      | Family Resource Services | Horizons Youth    | Health & Wellness | Senior Center     | Building Operations | Management & General | Fundraising       | Total            |                   |                     |
| <b>SALARIES AND RELATED EXPENSES</b> |                          |                   |                   |                   |                     |                      |                   |                  |                   |                     |
| Salaries                             | \$ 138,669               | \$ 114,914        | \$ 58,713         | \$ 67,422         | \$ 140,338          | \$ 520,056           | \$ 250,217        | \$ 58,654        | \$ 828,927        | \$ 850,230          |
| Payroll Taxes                        | 9,680                    | 8,092             | 4,481             | 4,796             | 9,944               | 36,993               | 17,703            | 4,162            | 21,865            | 58,858              |
| Benefits                             | 13,601                   | 5,941             | 3,045             | 7,183             | 17,055              | 46,825               | 40,154            | 3,733            | 43,887            | 90,712              |
| <b>Total Personnel Costs</b>         | <b>161,950</b>           | <b>128,947</b>    | <b>66,239</b>     | <b>79,401</b>     | <b>167,337</b>      | <b>603,874</b>       | <b>308,074</b>    | <b>66,549</b>    | <b>374,623</b>    | <b>1,005,791</b>    |
| <b>OTHER EXPENSES</b>                |                          |                   |                   |                   |                     |                      |                   |                  |                   |                     |
| Occupancy                            | 119,066                  | 52,263            | 9,103             | 34,816            | 96,966              | 312,214              | 30,527            | -                | 30,527            | 344,456             |
| Program Supplies                     | 68,462                   | 15,859            | 11,849            | 8,920             | 1,407               | 106,497              | 783               | -                | 783               | 107,280             |
| Professional Fees                    | 10,908                   | 4,734             | 3,515             | 75                | 27,329              | 46,561               | 50,482            | 19,685           | 70,167            | 86,750              |
| Office Expense                       | 3,577                    | 2,192             | 314               | 2,840             | 3,256               | 12,179               | 17,068            | 2,330            | 19,398            | 31,577              |
| Insurance                            | 11,443                   | 7,989             | 416               | 5,159             | 7,740               | 32,747               | 6,045             | -                | 6,045             | 42,226              |
| Furniture & Equipment                | 1,753                    | -                 | -                 | -                 | 2,385               | 4,138                | 16,638            | -                | 16,638            | 20,776              |
| Transportation                       | 7,043                    | 39                | -                 | 2,635             | 2,530               | 12,247               | 879               | 24               | 903               | 13,150              |
| Miscellaneous                        | 100                      | 636               | -                 | 123               | 12                  | 871                  | 3,070             | 500              | 3,570             | 4,441               |
| Dues, Licenses & Subscriptions       | 3,997                    | 68                | -                 | 426               | 2,028               | 6,519                | 1,618             | 350              | 1,968             | 8,487               |
| Public Relations & Marketing         | -                        | 138               | -                 | -                 | -                   | 138                  | 577               | 2,458            | 3,035             | 3,173               |
| Bad Debts                            | -                        | 12                | -                 | -                 | 50                  | 62                   | -                 | -                | -                 | 62                  |
| Seminars, Conferences & Travel       | 774                      | -                 | 1,395             | 476               | -                   | 2,645                | 4,233             | -                | 4,233             | 6,878               |
| Depreciation                         | 5,700                    | -                 | -                 | -                 | 158,225             | 163,925              | -                 | -                | -                 | 2,644               |
| <b>Total Expenses</b>                | <b>\$ 394,773</b>        | <b>\$ 212,877</b> | <b>\$ 92,831</b>  | <b>\$ 134,871</b> | <b>\$ 469,265</b>   | <b>\$ 1,304,617</b>  | <b>\$ 439,994</b> | <b>\$ 91,896</b> | <b>\$ 531,890</b> | <b>\$ 1,839,370</b> |

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Change in Net Assets   | \$ 18,547         | \$ 30,848         |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation   | 163,925           | 194,626           |
| Unrealized (Gain) on Investments   | (4,830)           | (10,669)          |
| Security Deposits  | (4,295)           | 7,325             |
| Allowance for Doubtful Accounts  | -                 | (9,526)           |
| (Gain) on Sale of Property and Equipment   | -                 | (590)             |
| (Increase) in Accounts Receivable  | (37,444)          | (11,414)          |
| (Increase) Decrease in Accrued Interest Receivable   | 169               | 277               |
| (Increase) Decrease in Grants Receivable   | (110,021)         | 90,372            |
| (Increase) Decrease in Prepaid Expenses  | (32,093)          | 9,049             |
| Increase in Accounts Payable   | 55,357            | 30,268            |
| Increase (Decrease) in Accrued Expenses  | 7,105             | (13,761)          |
| (Decrease) Increase in Deferred Rent Revenue   | <u>(14,600)</u>   | <u>19,061</u>     |
| Net Cash Provided by Operating Activities  | 41,820            | 335,866           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Purchases of Property and Equipment  | (89,630)          | (50,512)          |
| Proceeds from Sale of Investments  | 144,000           | 72,114            |
| Purchase of Investments  | <u>(159,900)</u>  | <u>(90,000)</u>   |
| Net Cash (Used) by Investing Activities  | <u>(105,530)</u>  | <u>(68,398)</u>   |
| Net (Decrease) Increase in Cash and Cash Equivalents   | (63,710)          | 267,468           |
| Cash and Cash Equivalents, Beginning of Year   | <u>810,596</u>    | <u>543,128</u>    |
| Cash and Cash Equivalents, End of Year   | <u>\$ 746,886</u> | <u>\$ 810,596</u> |

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

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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 – Meets basic needs with counseling, resource education, food and clothing shelves, housing information and referrals, advocacy and case follow-up.

Horizons Youth – An after-school program that assists children and youth in overcoming barriers to social, emotional and educational development. The program features a focus on math and reading, plus opportunities to learn computer skills.

Health & Wellness – An integrated health and wellness initiative focused on preventative care and health education. The program features a pediatric clinic, health and wellness classes, and a programs designed to encourage healthy lifestyle choices.

Senior Center – Provides a supporting social environment for the elderly. Activities include medical and legal clinics, hot meal programs, field trips, workshops, daily open lounge, information and referral and advocacy for seniors.

Building Operations – The purpose of the Building Operations is to provide office and program space to nonprofit organizations. The land and buildings formerly known as the Bryant Junior High School were renovated for this purpose. The Building Operations is operated as an independent component of the Community Center. As such, the Sabathani community service programs are considered tenants of the Building Operations with rent paid under an annual lease. Rent paid during 2012 and 2011 was \$260,123 and \$224,345, respectively. The rental income and expense have been eliminated and appropriate occupancy costs allocated to the community service programs.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared on the 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, 2012 AND 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Assets Classifications

The Organization 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 the Organization 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 the Organization. At December 31, 2012 and 2011, the Organization had 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. Sabathani deemed an allowance unnecessary for the years ended December 31, 2012 and 2011.

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, 2012 AND 2011**

**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 reported 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 a 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 expenses.

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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 Community Center, Inc. has been 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. The Organization 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. Advertising and promotion costs were \$3,173 and \$6,247 for the years ended December 31, 2012 and 2011, respectively.

Concentrations of Risk

Sabathani Community Center, Inc. provides services within the Twin Cities area. The amounts due for services provided are from local institutions. Grants receivable are from local governments and institutions.

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

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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, 2011, from which the summarized information was derived.

**NOTE 3. INVESTMENTS**

Sabathani Community Center, Inc. held the following investments as of December 31:

|                            | 2012             |                     | 2011             |                     |
|----------------------------|------------------|---------------------|------------------|---------------------|
|                            | <u>Cost</u>      | <u>Market Value</u> | <u>Cost</u>      | <u>Market Value</u> |
| Marketable Debt Securities | \$353,152        | \$373,568           | \$497,152        | \$501,364           |
| Money Market Funds         | <u>431,881</u>   | <u>450,781</u>      | <u>290,881</u>   | <u>290,881</u>      |
|                            | <u>\$785,033</u> | <u>\$824,349</u>    | <u>\$788,033</u> | <u>\$792,245</u>    |

Sabathani had interest and dividends of \$27,847 and \$18,768, and unrealized gain of \$4,830 and \$10,669 for the years ended December 31, 2012 and 2011, respectively.

**NOTE 4. FAIR VALUE**

Sabathani Community Center, Inc. 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.

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4. FAIR VALUE (CONTINUED)**

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2012:

|                            | <u>Level 1</u>   | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>     |
|----------------------------|------------------|-----------------|----------------|------------------|
| Money Market Funds         | \$450,781        | \$ ---          | \$ ---         | \$450,781        |
| Marketable Debt Securities | 373,568          | ---             | ---            | 373,568          |
| Grants Receivable          | <u>---</u>       | <u>60,500</u>   | <u>---</u>     | <u>60,500</u>    |
| Total                      | <u>\$824,349</u> | <u>\$60,500</u> | <u>\$ ---</u>  | <u>\$884,849</u> |

**NOTE 5. PROPERTY AND EQUIPMENT**

Sabathani Community Center, Inc. owed the following at December 31:

|                                  | <u>2012</u>        | <u>2011</u>        |
|----------------------------------|--------------------|--------------------|
| Land, Buildings and Improvements | \$5,575,554        | \$5,485,924        |
| Furniture and Equipment          | 332,683            | 332,683            |
| Vehicles                         | <u>76,244</u>      | <u>76,244</u>      |
|                                  | 5,984,481          | 5,894,851          |
| Less: Accumulated Depreciation   | <u>(5,329,131)</u> | <u>(5,165,206)</u> |
| Net Property and Equipment       | <u>\$ 655,350</u>  | <u>\$ 729,645</u>  |

Depreciation expense of \$163,925 and \$194,626 was recorded for the years ended December 31, 2012 and 2011, respectively.

**NOTE 6. RETIREMENT PLAN**

Sabathani Community Center, Inc. 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 did not match any employee contributions for the years ended December 31, 2012 and 2011.

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31:

|   | <u>2012</u>      | <u>2011</u>      |
|---|------------------|------------------|
| Future Years Program Support            | \$104,080        | \$116,027        |
| Building Improvements and Renovation    | <u>399,361</u>   | <u>447,638</u>   |
| Total Temporarily Restricted Net Assets | <u>\$503,441</u> | <u>\$563,665</u> |

**SABATHANI COMMUNITY CENTER, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS**

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

|   | <u>2012</u>      | <u>2011</u>      |
|---|------------------|------------------|
| Program Support                             | \$106,370        | \$153,581        |
| Expiration of Time Restriction              | ---              | 40,000           |
| Building Improvements and Renovation        | <u>48,277</u>    | <u>4,484</u>     |
| Total Net Assets Released from Restrictions | <u>\$154,647</u> | <u>\$198,065</u> |

**NOTE 9. BOARD DESIGNATED NET ASSETS**

The Board of Directors has designated unrestricted net assets as follows as of December 31, 2012 and 2011:

|                                     |                  |
|-------------------------------------|------------------|
| Sabathani Fund                      | \$334,657        |
| Building Operations/Capital Reserve | <u>482,694</u>   |
| Total Board Designated Net Assets   | <u>\$817,351</u> |

**NOTE 10. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were issued, November 20, 2013. There are no subsequent events required to be disclosed in accordance with accounting standards.

**NOTE 11. 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 the 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 are 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 2009 to 2012 are open to examination by federal, state, and local authorities.