

**SABATHANI COMMUNITY CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**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, 2013, 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 2012 financial statements and, in our report dated November 20, 2013; 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, 2013, 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.

July 29, 2014



**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 667,315	\$ 735,512
Accounts Receivable	123,665	66,854
Grants Receivable	6,000	123,771
Accrued Interest Receivable	3,309	3,310
Prepaid Expenses	<u>11,163</u>	<u>9,658</u>
Total Current Assets	811,452	939,105
Investments	825,725	824,349
Property and Equipment, Net of Accumulated Depreciation of \$5,479,831 and \$5,329,131 and in 2013 and 2012, respectively	<u>748,005</u>	<u>690,502</u>
Total Assets	<u>\$ 2,385,182</u>	<u>\$ 2,453,956</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 119,826	\$ 106,352
Accrued Expenses	95,068	84,278
Deferred Rent Revenue	<u>-</u>	<u>4,461</u>
Total Current Liabilities	214,894	195,091
Security Deposits	<u>32,044</u>	<u>32,044</u>
Total Liabilities	246,938	227,135
Net Assets		
Unrestricted		
Undesignated	952,385	906,029
Board Designated	<u>718,575</u>	<u>817,351</u>
Total Unrestricted Net Assets	1,670,960	1,723,380
Temporarily Restricted	<u>467,284</u>	<u>503,441</u>
Total Net Assets	<u>2,138,244</u>	<u>2,226,821</u>
Total Liabilities and Net Assets	<u>\$ 2,385,182</u>	<u>\$ 2,453,956</u>

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012**

	2013			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 183,847	\$ 262,500	\$ 446,347	\$ 483,135
United Way	416,424	-	416,424	411,086
Government Contracts	305,567	-	305,567	89,852
Rental Income	782,314	-	782,314	812,375
Program Service Fees	5,643	-	5,643	9,100
Investment Income	5,134	-	5,134	32,678
Special Events (net)	1,365	-	1,365	(7,268)
Miscellaneous Income	9,342	-	9,342	24,096
Net Assets Released from Restrictions	<u>298,657</u>	<u>(298,657)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,008,293	(36,157)	1,972,136	1,855,054
<b>EXPENSES</b>				
Program Services:				
Family Resource Services	339,311	-	339,311	394,773
Horizons Youth	215,399	-	215,399	212,877
Health and Wellness	169,114	-	169,114	92,831
Senior Center	132,588	-	132,588	134,871
Building Operations	<u>683,575</u>	<u>-</u>	<u>683,575</u>	<u>469,265</u>
Total Program Services	1,539,987	-	1,539,987	1,304,617
Supporting Services:				
Management and General	485,056	-	485,056	439,994
Fundraising	<u>35,670</u>	<u>-</u>	<u>35,670</u>	<u>91,896</u>
Total Supporting Services	<u>520,726</u>	<u>-</u>	<u>520,726</u>	<u>531,890</u>
Total Expenses	<u>2,060,713</u>	<u>-</u>	<u>2,060,713</u>	<u>1,836,507</u>
<b>CHANGE IN NET ASSETS</b>	(52,420)	(36,157)	(88,577)	18,547
Net Assets, Beginning of Year	<u>1,723,380</u>	<u>503,441</u>	<u>2,226,821</u>	<u>2,208,274</u>
Net Assets, End of Year	<u>\$ 1,670,960</u>	<u>\$ 467,284</u>	<u>\$ 2,138,244</u>	<u>\$ 2,226,821</u>

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012**

2013

	Program Services					Supporting Services			2012
	Family Resource Services	Horizons Youth	Senior Center	Health & Wellness	Building Operations	Management & General	Fundraising	Total	
<b>SALARIES AND RELATED EXPENSES</b>									
Salaries	\$ 146,743	\$ 102,210	\$ 68,357	\$ 86,154	\$ 158,605	\$ 182,850	\$ 29,327	\$ 212,177	\$ 774,246
Payroll Taxes	8,278	5,767	3,857	4,861	8,949	9,889	2,082	11,971	43,683
Benefits	20,262	14,113	9,439	11,897	21,900	27,432	1,866	29,298	106,909
<b>Total Personnel Costs</b>	<b>175,283</b>	<b>122,090</b>	<b>81,653</b>	<b>102,912</b>	<b>189,454</b>	<b>220,171</b>	<b>33,275</b>	<b>253,446</b>	<b>924,838</b>
<b>OTHER EXPENSES</b>									
Occupancy	70,878	46,113	31,803	7,872	232,030	27,222	-	27,222	415,918
Program Supplies	32,603	14,429	7,465	28,915	1,511	3,610	-	3,610	88,533
Professional Fees	30,842	21,602	252	27,977	28,090	172,019	-	172,019	280,782
Office Expense	4,451	2,702	3,058	372	3,656	14,399	1,165	15,564	29,803
Insurance	7,946	8,161	3,397	421	6,066	6,252	-	6,252	31,292
Furniture & Equipment	555	115	190	-	2,591	20,582	-	20,582	24,033
Transportation	7,924	6	3,831	-	2,393	14,154	-	29	14,183
Miscellaneous	338	50	-	-	-	5,813	-	5,813	6,201
Dues, Licenses & Subscriptions	2,729	-	420	-	18,130	4,918	-	4,918	26,197
Public Relations & Marketing	-	131	519	-	106	8,426	1,230	9,656	10,412
Bad Debts	-	-	-	-	33,023	59	-	59	3,173
Seminars, Conferences & Travel	537	-	-	645	350	1,532	-	1,556	6,878
Depreciation	5,225	-	-	-	166,175	-	-	-	171,400
<b>Total Expenses Per Program</b>	<b>\$ 339,511</b>	<b>\$ 215,599</b>	<b>\$ 132,588</b>	<b>\$ 169,114</b>	<b>\$ 683,575</b>	<b>\$ 485,056</b>	<b>\$ 35,670</b>	<b>\$ 520,726</b>	<b>\$ 2,060,713</b>
									<b>\$ 1,836,507</b>

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

**SABATHANI COMMUNITY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (88,577)	\$ 18,547
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	171,400	163,925
Unrealized (Gain) Loss on Investments	13,000	(4,830)
Security Deposits	-	(4,295)
Allowance for Doubtful Accounts	(42,608)	-
(Gain) on Sale of Property and Equipment	-	-
(Increase) in Accounts Receivable	(2,481)	(37,444)
(Increase) Decrease in Accrued Interest Receivable	1	169
(Increase) Decrease in Grants Receivable	106,049	(110,021)
(Increase) Decrease in Prepaid Expenses	(1,505)	(32,093)
Increase in Accounts Payable	13,474	55,357
Increase (Decrease) in Accrued Expenses	10,790	7,105
(Decrease) Increase in Deferred Rent Revenue	<u>(4,461)</u>	<u>(14,600)</u>
Net Cash Provided by Operating Activities	175,082	41,820
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(228,902)	(89,630)
Net (Purchase) Sale of Investments	(14,377)	(27,274)
Purchase of Investments	<u>-</u>	<u>-</u>
Net Cash (Used) by Investing Activities	<u>(243,279)</u>	<u>(116,904)</u>
 Net (Decrease) Increase in Cash and Cash Equivalents	(68,197)	(75,084)
 Cash and Cash Equivalents, Beginning of Year	<u>735,512</u>	<u>810,596</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 667,315</u>	<u>\$ 735,512</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, 2013 AND 2012**

**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 and small businesses. 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 2013 and 2012 was \$210,187 and \$260,123, 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, 2013 AND 2012**

**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, 2013 and 2012, 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, 2013 and 2012.

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, 2013 AND 2012**

**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, 2013 AND 2012**

**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 \$10,412 and \$3,173 for the years ended December 31, 2013 and 2012, 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, 2013 AND 2012**

**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, 2012, from which the summarized information was derived.

**NOTE 3. INVESTMENTS**

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

	2013		2012	
	Cost	Market Value	Cost	Market Value
Marketable Debt Securities	\$353,152	\$360,725	\$497,152	\$373,569
Money Market Funds	<u>431,881</u>	<u>465,000</u>	<u>450,781</u>	<u>450,781</u>
	<u>\$785,033</u>	<u>\$825,725</u>	<u>\$947,933</u>	<u>\$824,350</u>

Sabathani had interest and dividends of \$5,134 and \$27,847, and unrealized gain of \$- and \$4,830 for the years ended December 31, 2013 and 2012, 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, 2013 AND 2012**

**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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$465,000	\$ ---	\$ ---	\$465,000
Marketable Debt Securities	360,725	---	---	360,725
Grants Receivable	---	6,000	---	6,000
Total	<u>\$825,725</u>	<u>\$6,000</u>	<u>\$ ---</u>	<u>\$831,725</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

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

	<u>2013</u>	<u>2012</u>
Land, Buildings and Improvements	\$5,797,579	\$5,610,706
Furniture and Equipment	354,013	332,683
Vehicles	<u>76,244</u>	<u>76,244</u>
	6,227,836	6,019,633
Less: Accumulated Depreciation	<u>(5,479,831)</u>	<u>(5,329,131)</u>
Net Property and Equipment	<u>\$ 748,005</u>	<u>\$ 690,502</u>

Depreciation expense of \$171,400 and \$163,925 was recorded for the years ended December 31, 2013 and 2012, 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, 2013 and 2012.

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
Future Years Program Support	\$ 67,923	\$104,080
Building Improvements and Renovation	<u>399,361</u>	<u>399,361</u>
Total Temporarily Restricted Net Assets	<u>\$467,284</u>	<u>\$503,441</u>

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

	<u>2013</u>	<u>2012</u>
Program Support	\$283,657	\$106,370
Expiration of Time Restriction	15,000	---
Building Improvements and Renovation	---	48,277
Total Net Assets Released from Restrictions	<u>\$298,657</u>	<u>\$154,647</u>

**NOTE 9. BOARD DESIGNATED NET ASSETS**

The Board of Directors has designated unrestricted net assets as follows as of December 31, 2013.

Sabathani Fund	\$334,657
Building Operations/Capital Reserve	<u>383,918</u>
Total Board Designated Net Assets	<u>\$718,575</u>

**NOTE 10. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were issued, July 29, 2014. 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 2010 to 2013 are open to examination by federal, state, and local authorities.