

**SABATHANI COMMUNITY CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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 2018 and 2017, 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 audit. 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, 2018 and 2017, 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*

May 10, 2019

Minneapolis, Minnesota

**SABATHANI COMMUNITY CENTER  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 257,470	\$ 327,398
Tenant rents receivable, net of allowance	33,318	56,435
Accounts receivable	235	4,927
Grants receivable	-	25,037
Contracts receivable, net of allowance	64,383	12,183
Prepaid expenses	2,412	2,558
<b>Total Current Assets</b>	<u>357,818</u>	<u>428,538</u>
<b>Long Term Assets</b>		
Investments	357,603	353,278
Construction in progress	297,386	249,456
	<u>654,989</u>	<u>602,734</u>
<b>Property and Equipment</b>		
Fixed assets	<u>693,169</u>	<u>801,818</u>
<b>Total Assets</b>	<u><u>\$ 1,705,976</u></u>	<u><u>\$ 1,833,090</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 56,092	\$ 50,765
Accrued expenses	23,700	37,948
Security deposit	52,605	41,799
Unearned revenue	-	5,300
<b>Total current liabilities</b>	<u>132,397</u>	<u>135,812</u>
<b>Long Term Liabilities</b>		
Project financing loan	<u>40,000</u>	<u>40,000</u>
<b>Total Liabilities</b>	172,397	175,812
<b>Net Assets</b>		
Unrestricted	1,533,579	1,627,241
Temporarily restricted	-	30,037
<b>Total Net Assets</b>	<u>1,533,579</u>	<u>1,657,278</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,705,976</u></u>	<u><u>\$ 1,833,090</u></u>

The accompanying notes are an integral part of these financial statements

**SABATHANI COMMUNITY CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Net assets without <u>Restrictions</u>	Net assets with <u>Restrictions</u>	2018 <u>Total</u>
<b>Support and revenue:</b>			
Contributions	\$ 406,147	\$ -	\$ 406,147
United Way	123,258	-	123,258
Government contracts	119,920	-	119,920
Rental income	993,083	-	993,083
Program service fees	8,793	-	8,793
Investment income	4,327	-	4,327
Miscellaneous	4,704	-	4,704
In-kind donations	-	-	-
Net assets released from restrictions	<u>30,037</u>	<u>(30,037)</u>	<u>-</u>
<b>Operating revenues and gains</b>	<u><u>1,690,269</u></u>	<u><u>(30,037)</u></u>	<u><u>1,660,232</u></u>
 <b>Expenses</b>			
Program expenses			
Food shelf	347,609	-	347,609
Family Resources	202,449	-	202,449
Horizons Youth	95,742	-	95,742
Senior Center	123,157	-	123,157
Health and Wellness	23,804	-	23,804
Building operations	<u>608,366</u>	<u>-</u>	<u>608,366</u>
Total program expenses	1,401,127	-	1,401,127
Supporting services			
Management and general	256,477	-	256,477
Fundraising	<u>126,327</u>	<u>-</u>	<u>126,327</u>
<b>Total expenses</b>	<u><u>1,783,931</u></u>	<u><u>-</u></u>	<u><u>1,783,931</u></u>
 Change in net assets	(93,662)	(30,037)	(123,699)
 Net assets beginning of the year	<u>1,627,241</u>	<u>30,037</u>	<u>1,657,278</u>
 Net assets, end of year	<u><u>1,533,579</u></u>	<u><u>-</u></u>	<u><u>1,533,579</u></u>

The accompanying notes are an integral part of these financial statements

**SABATHANI COMMUNITY CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Net assets without <u>Restrictions</u>	Net assets with <u>Restrictions</u>	2017 <u>Total</u>
<b>Support and revenue:</b>			
Contributions	\$ 368,896	\$ 30,037	\$ 398,933
United Way	190,507	-	190,507
Government contracts	429,371	-	429,371
Rental income	974,974	-	974,974
Program service fees	1,000	-	1,000
Investment income	3,893	-	3,893
Special events, net	-	-	-
Miscellaneous	248	-	248
In-kind donations	-	-	-
Net assets released from restrictions	3,252	(3,252)	-
<b>Operating revenues and gains</b>	<u>1,972,141</u>	<u>26,785</u>	<u>1,998,926</u>
<b>Expenses</b>			
Program expenses			
Family Resources	983,413	-	983,413
Horizons Youth	142,247	-	142,247
Senior Center	168,925	-	168,925
Health and Wellness	38,721	-	38,721
Community events	-	-	-
Building operations	418,126	-	418,126
Total program expenses	1,751,432	-	1,751,432
Supporting services			
Management and general	307,998	-	307,998
Fundraising	125,241	-	125,241
<b>Total expenses</b>	<u>2,184,671</u>	<u>-</u>	<u>2,184,671</u>
Change in net assets	(212,530)	26,785	(185,745)
Net assets beginning of the year	<u>1,839,771</u>	<u>3,252</u>	<u>1,843,023</u>
Net assets, end of year	<u>1,627,241</u>	<u>30,037</u>	<u>1,657,278</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, 2018**

	<u>Food Shelf</u>	<u>Family Resources</u>	<u>Horizons Youth</u>	<u>Senior Center</u>	<u>Health &amp; Wellness</u>	<u>Building Operations</u>	<u>Program Services</u>	<u>Managemen t &amp; General</u>	<u>Fundraising</u>	<u>2018</u>
Salaries	53,858	94,118	41,959	63,785	7,063	137,255	398,038	35,630	70,967	504,635
Payroll taxes	7,364	12,869	5,737	8,721	966	18,767	54,424	4,872	9,703	68,999
Benefits	<u>4,519</u>	<u>9,679</u>	<u>3,718</u>	<u>7,422</u>	<u>802</u>	<u>14,258</u>	<u>40,398</u>	<u>4,045</u>	<u>5,825</u>	<u>50,268</u>
Total personnel	65,741	116,666	51,414	79,928	8,831	170,280	492,860	44,547	86,495	623,902
Staff development	1,250	50	-	615	-	1,874	3,789	693	299	4,781
Occupancy	165,634	60,594	37,668	-	9,519	237,755	511,170	29,144	-	540,314
Program expenses	99,379	121	737	8,676	2,327	112	111,352	2,041	5,247	118,640
Professional fees	500	700	-	24,685	2,100	5,776	33,761	77,927	590	112,278
Accounting/audit	-	-	-	-	-	-	-	57,000	-	57,000
Office expense	2,475	1,127	2,154	3,482	391	20,844	30,473	13,114	2,624	46,211
Insurance	9,318	8,491	3,769	5,721	636	18,484	46,419	8,332	6,403	61,154
Furniture and equipment	582	492	-	-	-	121	1,195	12,912	-	14,107
Transportation	2,730	25	-	-	-	1,781	4,536	-	-	4,536
Miscellaneous	-	-	-	-	-	-	-	1,182	-	1,182
Dues, licenses and subscriptions	-	-	-	50	-	983	1,033	221	752	2,006
Property taxes	-	-	-	-	-	-	-	957	23,917	24,874
Bad debts	-	14,183	-	-	-	11,168	25,351	1,230	-	26,581
Bank and credit card fees	-	-	-	-	-	-	-	7,177	-	7,177
Total expenses before depreciation	<u>347,609</u>	<u>202,449</u>	<u>95,742</u>	<u>123,157</u>	<u>23,804</u>	<u>469,178</u>	<u>1,261,939</u>	<u>256,477</u>	<u>126,327</u>	<u>1,644,743</u>
Depreciation	-	-	-	-	-	139,188	139,188	-	-	139,188
Total Expenses	<u><u>347,609</u></u>	<u><u>202,449</u></u>	<u><u>95,742</u></u>	<u><u>123,157</u></u>	<u><u>23,804</u></u>	<u><u>608,366</u></u>	<u><u>1,401,127</u></u>	<u><u>256,477</u></u>	<u><u>126,327</u></u>	<u><u>1,783,931</u></u>
As a percentage of total expenses		<u>11%</u>	<u>5%</u>	<u>7%</u>	<u>1%</u>	<u>34%</u>	<u>79%</u>	<u>14%</u>	<u>7%</u>	<u>100%</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, 2017**

	Family Resources	Horizons Youth	Senior Center	Health & Wellness	Building Operations	Program Services	Management & General	Fundraising	2017
Salaries	289,243	76,382	70,424	5,300	92,127	533,476	48,840	88,969	671,285
Payroll taxes	29,712	7,846	7,234	544	9,463	54,799	5,017	9,140	68,956
Benefits	30,392	1,904	7,676	-	13,755	53,727	5,493	5,510	64,730
Total personnel	349,347	86,132	85,334	5,844	115,345	642,002	59,350	103,619	804,971
Staff development	415	-	388	-	-	803	610	246	1,659
Occupancy	297,673	38,089	45,094	13,439	72,136	466,431	28,811	746	495,988
Program expenses	120,905	9,300	8,983	8,658	10,712	158,558	-	-	158,558
Professional fees	66,900	5,341	25,160	10,365	53,872	161,638	114,166	10,525	286,329
Office expense	3,904	2,628	3,609	415	15,243	25,799	10,553	7,274	43,626
Insurance	-	-	-	-	-	-	33,811	-	33,811
Furniture and equipment	4,654	50	-	-	632	5,336	15,679	1,912	22,927
Transportation	4,518	653	357	-	754	6,282	9,341	-	15,623
Miscellaneous	-	-	-	-	-	-	-	-	-
Dues, licenses and subscriptions	200	54	-	-	2,028	2,282	3,310	919	6,511
Property taxes	-	-	-	-	-	-	25,335	-	25,335
Public relations and marketing	-	-	-	-	-	-	-	-	-
Bad debts	15,000	-	-	-	10,000	25,000	-	-	25,000
Subgrantees	119,897	-	-	-	-	119,897	-	-	119,897
Bank and credit card fees	-	-	-	-	-	-	7,032	-	7,032
Total expenses before depreciation	983,413	142,247	168,925	38,721	280,722	1,614,028	307,998	125,241	2,047,267
Depreciation	-	-	-	-	137,404	137,404	-	-	137,404
Total Expenses	983,413	142,247	168,925	38,721	418,126	1,751,432	307,998	125,241	2,184,671
As a percentage of total expenses	45%	7%	8%	2%	19%	80%	14%	6%	100%

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, 2018 AND 2017**

<b>Cash Flow From Operating Activities</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Increase (decrease) in net assets	(123,699)	(185,745)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	139,188	137,404
(Increase) decrease in current assets:		
Accounts receivable	27,809	(29,235)
Grants receivable	25,037	(25,037)
Contracts receivable	(52,200)	78,805
Prepaid expenses	146	3,296
Increase (decrease) in current liabilities:		
Accounts payable	5,327	(67,265)
Accrued payroll and benefits	(14,248)	(16,499)
Security deposits	10,806	4,112
Deferred rent	(5,300)	(3,018)
Total adjustments	<u>136,565</u>	<u>82,563</u>
<b>Cash flow from operating activities</b>	<u>12,866</u>	<u>(103,182)</u>
 <b>Cash Flow From Investing Activities</b>		
Purchase of property plan and equipment	(30,540)	(100,976)
Investment in construction in progress	(47,930)	(54,806)
(Purchase) Sale of investments	<u>(4,325)</u>	<u>196,107</u>
<b>Cash flow from investing activities</b>	<u>(82,795)</u>	<u>40,325</u>
 <b>Cash Flow From Financing activities</b>		
Project financing	-	40,000
 <b>Decrease in Cash and Cash Equivalents</b>	<u>(69,929)</u>	<u>(22,857)</u>
 <b>Cash and Cash Equivalents - Beginning of Year</b>	<u>327,398</u>	<u>350,255</u>
 <b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 257,469</u></u>	<u><u>\$ 327,398</u></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, 2017 AND 2018**

**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, 2017 AND 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets Classifications

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

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

Property, Plant 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, 2017 AND 2018**

**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, 2017 AND 2018**

**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 service and effort or space occupied 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.

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 also maintains its cash deposits at 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 2017 presentation consistent with the 2018 presentation.

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2018**

**NOTE 3: RECEIVABLES**

Tenant rent receivables are recognized in the financial statements based on occupancy. Contracts receivable are recognized in the financial statements based on eligible expenses incurred related to cost reimbursement contracts. Pledges receivable are recognized when an unconditional pledge is made. Accounts receivable are recognized when the earnings process is complete. The amount of uncollectible accounts using an aging schedule. At December 31, the following status of tenant rent receivables was recognized in the financial records.

	<u>2018</u>	<u>2017</u>
Rent receivable	\$ 38,318	\$ 66,435
Less: Allowance for doubtful accounts	<u>5,000</u>	<u>13,000</u>
Tenant receivables, net of allowance	33,318	56,435
Contracts receivable	64,383	27,183
Less: Allowance for doubtful accounts	<u>---</u>	<u>15,000</u>
Contracts receivable, net of allowance	64,383	12,183
Grants receivable	---	25,037
Accounts receivable	<u>2,412</u>	<u>4,927</u>
Total receivables	<u>\$100,113</u>	<u>\$91,082</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 2018 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>2018</u>	<u>2017</u>
Marketable Debt Securities	\$215,569	\$ 185,906
Money Market Funds	<u>142,034</u>	<u>168,371</u>
Total Investments	<u>\$ 357,603</u>	<u>\$ 353,277</u>

**SABATHANI COMMUNITY CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2018**

**NOTE 4: INVESTMENTS (CONTINUED)**

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

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 353,278	\$ 549,385
Distributions	---	(200,000)
Investment Returns (dividends, realized, and unrealized gains)	<u>4,325</u>	<u>3,893</u>
Investment Balance	<u>\$ 357,603</u>	<u>\$ 353,278</u>

**NOTE 5: FAIR VALUE**

Sabathani adopted FASB standards for, "fair value" as 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.

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:

	<u>2018</u>	<u>2017</u>
Level I: Quoted Prices		
Money Market Funds	\$ 215,569	\$ 185,906
Marketable Debt Securities	<u>142,034</u>	<u>168,3741</u>
Total Investments	<u>\$ 357,603</u>	<u>\$ 353,277</u>

**NOTE 6: CONSTRUCTION IN PROGRESS**

A total of \$297,386 of fixed assets, not used 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.

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**NOTE 7: PROPERTY AND EQUIPMENT**

Fixed assets consisted of the following amounts at December 31:

	<u>2018</u>	<u>2017</u>
Land, Building and Improvements	\$ 4,645,106	\$ 4,625,265
Furniture and Equipment	75,571	64,872
Vehicles	<u>16,911</u>	<u>16,911</u>
Total Investment	\$ 4,737,588	\$ 4,707,048
Accumulated Depreciation (less)	<u>4,044,395</u>	<u>3,905,230</u>
Net book value	<u>\$ 693,193</u>	<u>\$ 801,818</u>

Depreciation expenses of \$139,188 and \$139,674 were recorded for the years ending December 31, 2018 and 2017 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, 2018 and 2017. The amount of the match was \$5,828 and \$8,705 for 2018 and 2017, respectively.

**NOTE 9: NET ASSETS WITH RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Time restricted contributions	\$ ---	\$ ---
Program restricted contributions	<u>---</u>	<u>30,037</u>
Total Temporary Restricted Net Assets	<u>\$ ---</u>	<u>\$ 30,037</u>

**NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Program Support	\$ 30,037	\$ ---
Expiration of Time Restrictions	<u>---</u>	<u>---</u>
Net assets released from restrictions	<u>\$ 30,037</u>	<u>\$ 3,252</u>



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**NOTE 11: SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were issued, May 10, 2019.

**NOTE 12: 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 2014 to 2018 are open to examination by federal, state, and local authorities.

**NOTE 13: PROJECT FINANCING LOAN**

A non-recourse forgivable loan with the Local Support Initiative Corporation for pre-development construction financing for senior housing dated March 2017. The original amount of \$40,000 is provided with an interest rate of 0%. Repayment required on the earlier to occur of (i) the close of construction financing, or (ii) December 31, 2018 the maturity date. An extension is available and was used to extend the due date to December 31, 2019. The terms of the loan include required repayment to LISC in full. However, in the event that LISC is satisfied that the Organization has made best efforts to move the Project forward to development, completion, and/or successful operation, including but not limited to the obtainment and close of all required financing for the Project, and if LISC and the Organization shall have mutually agreed in writing that the development of the Project cannot proceed due to a lack of financing, or a completed Project cannot generate sufficient revenue to repay the Project Investment, or for some other reason beyond the Organization's control the Project Investment cannot be repaid (again, as the case may be), repayment of the portion of the Project Investment that is unable to be repaid shall not be required.

Total amount due	<u>\$ 40,000</u>
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**SABATHANI COMMUNITY CENTER, INC.  
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**NOTE 14. LIQUIDITY**

The SCC strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the SCC's financial assets at December 31,

	2018	2017
Cash and equivalents	\$257,470	327,398
Tenant receivable, net of allowance	33,318	56,435
Accounts receivable	235	4,927
Grants receivable	---	25,037
Contracts receivable	64,383	12,183
Total Financial assets	355,406	425,980
Less: Donor imposed restrictions	(---)	(30,037)
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$355,406</u>	<u>\$395,943</u>

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

**NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has been adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets previously reported.