

**SOUTH PEORIA NEIGHBORHOOD
CONNECTION FOUNDATION**

Financial Statements

Years Ended June 30, 2017 and 2016

With

Independent Auditor's Report

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position - June 30, 2017 and 2016	3
Statement of Activities - Year Ended June 30, 2017	4
Statement of Activities - Year Ended June 30, 2016	5
Statement of Functional Expenses - Year Ended June 30, 2017	6
Statement of Functional Expenses - Year Ended June 30, 2016	7
Statements of Cash Flows - Years Ended June 30, 2017 and 2016	8
Notes to Financial Statements	9 - 14



Independent Auditor's Report

The Board of Directors
South Peoria Neighborhood Connection Foundation
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of South Peoria Neighborhood Connection Foundation, which comprise the statements of financial position as of June 30, 2017 and 2016, 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

The South Peoria Neighborhood Connection Foundation's 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 audits. We conducted our audits 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 from 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 South Peoria Neighborhood Connection Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MORSE & CO., PLLC

Tulsa, Oklahoma
November 27, 2017

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current assets		
Cash and cash equivalents	\$ 68,280	\$ 79,851
Inventory	2,678	8,400
Total current assets	70,958	88,251
Property and equipment, net	494,674	496,318
Total assets	\$ 565,632	\$ 584,569

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 5,923	\$ 9,856
Total current liabilities	5,923	9,856
Net assets		
Unrestricted	559,709	560,522
Temporarily restricted	-	14,191
Total net assets	559,709	574,713
Total liabilities and net assets	\$ 565,632	\$ 584,569

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Support			
Contributions and grants	\$ 186,101	\$ -	\$ 186,101
In-kind contributions	729,155	-	729,155
Net assets released from restrictions:			
Satisfaction of program restrictions	14,191	(14,191)	-
Total support	<u>929,447</u>	<u>(14,191)</u>	<u>915,256</u>
Revenue (loss)			
Interest income and other	134	-	134
Building rent, less expenses of \$36,884	<u>(15,765)</u>	<u>-</u>	<u>(15,765)</u>
Total revenue (loss)	<u>(15,631)</u>	<u>-</u>	<u>(15,631)</u>
Total support and revenue	<u>913,816</u>	<u>(14,191)</u>	<u>899,625</u>
Expenses			
Program services	858,767	-	858,767
Management and general	44,048	-	44,048
Fundraising	<u>11,814</u>	<u>-</u>	<u>11,814</u>
Total expenses	<u>914,629</u>	<u>-</u>	<u>914,629</u>
Change in net assets	(813)	(14,191)	(15,004)
Net assets, beginning of year	<u>560,522</u>	<u>14,191</u>	<u>574,713</u>
Net assets, end of year	<u>\$ 559,709</u>	<u>\$ -</u>	<u>\$ 559,709</u>

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Support			
Contributions	\$ 122,653	\$ 20,000	\$ 142,653
In-kind contributions	473,407	-	473,407
Net assets released from restrictions:			
Satisfaction of program restrictions	30,809	(30,809)	-
Total support	<u>626,869</u>	<u>(10,809)</u>	<u>616,060</u>
Revenue (loss)			
Interest income and other	103	-	103
Building rent, less expenses of \$35,957	<u>(10,008)</u>	<u>-</u>	<u>(10,008)</u>
Total revenue (loss)	<u>(9,905)</u>	<u>-</u>	<u>(9,905)</u>
Total support and revenue	<u>616,964</u>	<u>(10,809)</u>	<u>606,155</u>
Expenses			
Program services	541,027	-	541,027
Management and general	48,401	-	48,401
Fundraising	<u>13,238</u>	<u>-</u>	<u>13,238</u>
Total expenses	<u>602,666</u>	<u>-</u>	<u>602,666</u>
Change in net assets	14,298	(10,809)	3,489
Net assets, beginning of year	<u>546,224</u>	<u>25,000</u>	<u>571,224</u>
Net assets, end of year	<u>\$ 560,522</u>	<u>\$ 14,191</u>	<u>\$ 574,713</u>

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Employee compensation					
Salaries and related expenses	\$ 74,882	\$ 25,715	\$ 8,461	\$ 34,176	\$ 109,058
Occupancy expenses	14,722	3,532	1,162	4,694	19,416
Office expenses	7,074	2,429	799	3,228	10,302
Professional services	-	10,586	-	10,586	10,586
Bus tokens and passes	6,579	-	-	-	6,579
Transportation	7,137	-	-	-	7,137
Fundraising events	-	-	805	805	805
Expense reimbursements	62	-	-	-	62
Pantry supplies	546	-	-	-	546
Distribution of food and supplies	739,812	-	-	-	739,812
Total functional expenses before depreciation	<u>850,814</u>	<u>42,262</u>	<u>11,227</u>	<u>53,489</u>	<u>904,303</u>
Depreciation of building and equipment	<u>7,953</u>	<u>1,786</u>	<u>587</u>	<u>2,373</u>	<u>10,326</u>
Total functional expenses	<u><u>\$ 858,767</u></u>	<u><u>\$ 44,048</u></u>	<u><u>\$ 11,814</u></u>	<u><u>\$ 55,862</u></u>	<u><u>\$ 914,629</u></u>

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Employee compensation					
Salaries and related expenses	\$ 35,841	\$ 26,656	\$ 8,760	\$ 35,416	\$ 71,257
Occupancy expenses	12,457	4,965	1,639	6,604	19,061
Office expenses	4,533	4,317	1,943	6,260	10,793
Grant writing	-	-	144	144	144
Professional services	-	10,183	-	10,183	10,183
Bus tokens and passes	746	-	-	-	746
Transportation	2,989	-	-	-	2,989
Expense reimbursements	637	-	-	-	637
Distribution of food and supplies	479,305	-	-	-	479,305
Total functional expenses before depreciation	<u>536,508</u>	<u>46,121</u>	<u>12,486</u>	<u>58,607</u>	<u>595,115</u>
Depreciation of building and equipment	<u>4,519</u>	<u>2,280</u>	<u>752</u>	<u>3,032</u>	<u>7,551</u>
Total functional expenses	<u><u>\$ 541,027</u></u>	<u><u>\$ 48,401</u></u>	<u><u>\$ 13,238</u></u>	<u><u>\$ 61,639</u></u>	<u><u>\$ 602,666</u></u>

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (15,004)	\$ 3,489
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	19,475	16,919
Value of contributed food and supplies	(729,155)	(458,717)
Value of food and supplies distributed, including shrinkage and spoilage	729,155	458,591
Value of contributed property	-	(14,690)
Changes in assets and liabilities:		
Pledges receivable	-	25,000
Inventory	5,722	(978)
Accounts payable	(3,933)	7,066
Net cash provided by (used for) operating activities	6,260	36,680
Cash flows from investing activities:		
Acquisition of property and equipment	(17,831)	(18,921)
Net cash provided by (used for) investing activities	(17,831)	(18,921)
Change in cash and cash equivalents	(11,571)	17,759
Cash and cash equivalents, beginning of year	79,851	62,092
Cash and cash equivalents, end of year	\$ 68,280	\$ 79,851

See independent auditor's report and accompanying notes to financial statements.

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

South Peoria Neighborhood Connection Foundation (the Foundation) is an Oklahoma corporation formed to promote economic development, safety, health and education, beautification, and sense of community in Riverwood. Control of this Corporation is vested in a Board of Directors composed of not less than six (6) and no more than eighteen (18) members.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions for which the restriction is met within the same period as received, are included as unrestricted in the Statement of Activities.

Revenue Recognition

Revenues for services performed are recognized when earned.

Contributions

Contributions are recorded when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Fair Value Measurements

The Foundation has determined the fair value of certain assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

(Continued)

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Assets and liabilities stated at fair value are categorized using a hierarchy which prioritizes the valuation inputs into three broad levels based on the quality of the inputs used. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash on hand and cash in bank accounts with original maturities of three months or less. Cash and cash equivalents include donor restricted deposits that are readily available and will be consumed during the next operating cycle.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are short-term, noninterest bearing, and uncollateralized; and are reflected in the statement of financial position net of the allowance for doubtful accounts. Management's assessment of the allowance for doubtful accounts is based on the overall creditworthiness of the individual accounts, existing economic conditions, and the amount and age of past due accounts. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

Pledges Receivable

The Foundation has elected the fair value option for valuing pledges receivable. Pledges are recorded at their estimated fair value when received and they are revalued annually. There were no pledges receivable as of June 30, 2017 or 2016.

Inventory of Food and Supplies

Inventory consists of contributed and purchased food and supplies. Contributed food and supply items are valued at estimated weighted average wholesale amounts as determined by Feeding America. Purchased food and supply items are stated at cost. The distributed inventory expense includes spoilage and shrinkage.

Property and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, which range from three to thirty years. Depreciation expense is allocated to the respective programs based on usage.

(Continued)

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Additions and improvements that extend the useful lives of the assets are capitalized at cost. Expenditures for repairs and maintenance are expensed as incurred. The Foundation does not have a formal capitalization policy.

The South Peoria Neighborhood Connection Foundation records impairments to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Foundation based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2017 or 2016.

Beneficial Interest in Assets Held by Others

The Foundation has investments with the Tulsa Community Foundation (TCF) of \$364,913 and \$349,142 at June 30, 2017 and 2016, respectively, which includes contributions made by others for the benefit of South Peoria Neighborhood Connection Foundation. TCF has the power to modify the donor's stipulations under certain conditions as the Foundation monitors the changing needs of the community. As such, this amount is not included as an asset, but distributions are recorded when received.

Contributed Services

The Foundation uses, to varying degrees, the services of unpaid volunteers in conducting its activities. For the years ended June 30, 2017 and 2016, approximately 4,545 volunteer hours were donated each year. No amounts have been reflected in the accompanying financial statements for such donated services because they do not meet the criteria for recognition.

Income Taxes

South Peoria Neighborhood Connection Foundation is a non-profit corporation and is an exempt organization as defined in Internal Revenue Code Section 501(c)(3). Accordingly, it is not subject to income taxes.

The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Foundation is no longer subject to federal and state tax examinations for years before 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(Continued)

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through November 27, 2017, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION

The Foundation receives support through a grant with the City of Tulsa. The total revenue from the grant was \$26,699 during 2017 and \$0 during 2016.

The grant is subject to the availability of federal and state funds. The contract will terminate if such funds become unavailable, or if the total amount of funds allocated should become depleted during any budget period and the grantor is unable to obtain additional funds for such purposes.

The Foundation may be subject to credit risk to cash and cash equivalents, which are placed with high credit-quality financial institutions. From time to time, the Foundation may have amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management believes the Foundation is not exposed to any significant credit risk from cash and cash equivalents, and has not experienced any losses.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, is as follows:

	2017	2016
Land	\$ 60,000	\$ 60,000
Building	461,137	447,856
Equipment	4,749	4,749
Automotive equipment	17,990	13,440
Artwork	750	750
	<u>544,626</u>	<u>526,795</u>
Less accumulated depreciation	<u>(49,952)</u>	<u>(30,477)</u>
Net property and equipment	<u>\$ 494,674</u>	<u>\$ 496,318</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$19,475 and \$16,919, respectively.

(Continued)

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 - FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis consist of pledges receivable. The following tables summarize the balances of the Foundation's assets at June 30:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>			
Pledges receivable	\$ -	\$ -	\$ -
<u>June 30, 2016</u>			
Pledges receivable	\$ -	\$ -	\$ -

The following is a reconciliation of activity, for the years ended June 30, for assets measured at fair value based upon significant unobservable (non-market) information:

	2017	2016
Balance, beginning of year	\$ -	\$ 25,000
New pledges	-	-
Pledges collected	-	(25,000)
Change in allowance for uncollectible pledges	-	-
Balance, end of year	\$ -	\$ -

Pledges receivable are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Foundation elected that measure in accordance with authoritative guidance. Management believes the use of fair value reduces the cost of measuring pledges receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured at fair value at the time of the pledge, and then subsequently amortized.

(Continued)

SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 - LEASES

The Foundation owns the building and land where its offices are located and leases excess space to others. Rental income for the years ended June 30, 2017 and 2016, was \$21,119 and \$25,949, respectively. Future minimum rental income is as follows: 2018 - \$16,383, 2019 - \$16,549, 2020 - \$16,748 and 2021 - \$12,754.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ -	\$ 5,191
Program expenses	-	9,000
Total	<u>\$ -</u>	<u>\$ 14,191</u>

The following net assets were released from donor restrictions by incurring expenses satisfying the restrictions:

Property and equipment	\$ 5,191	\$ 19,809
Program expenses	9,000	11,000
Total	<u>\$ 14,191</u>	<u>\$ 30,809</u>

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

The Foundation's policy for recognizing restricted contributions for which the restriction is met within the same reporting period as received, is to record the contribution as unrestricted. During the year ended June 30, 2017, \$20,000 of donor restricted contributions have been recorded as unrestricted. There were no such contributions received for the year ended June 30, 2016.