

**SOUTH PEORIA NEIGHBORHOOD  
CONNECTION FOUNDATION**

Financial Statements

Years Ended June 30, 2018 and 2017

With

Independent Auditor's Report

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**

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## 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, 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**

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, 2018 and 2017, 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.

## Effect of Adopting New Accounting Standard

As discussed in Note 1, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

MORSE & CO., PLLC

Tulsa, Oklahoma  
October 11, 2018

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

**ASSETS**

	2018	2017
Current assets		
Cash and cash equivalents	\$ 100,703	\$ 68,280
Cash and cash equivalents - donor restricted	17,000	-
Inventory	5,282	2,678
Grants and accounts receivable	4,561	-
Total current assets	127,546	70,958
Property and equipment, net	478,841	494,674
Total assets	\$ 606,387	\$ 565,632

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 5,003	\$ 5,923
Deferred revenue	1,527	-
Total current liabilities	6,530	5,923
Net assets		
Without donor restriction		
Undesignated	582,857	559,709
With donor restriction		
Purpose restrictions	17,000	-
Total net assets	599,857	559,709
Total liabilities and net assets	\$ 606,387	\$ 565,632

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

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue			
Support			
Contributions and grants	\$ 239,983	\$ 17,000	\$ 256,983
In-kind contributions	597,877	-	597,877
Fundraising event	11,240	-	11,240
Cost of fundraising event	(6,359)		(6,359)
Total support	<u>842,741</u>	<u>17,000</u>	<u>859,741</u>
Revenue (loss)			
Interest income and other	355	-	355
Building rent, less expenses of \$40,762	<u>(20,344)</u>	<u>-</u>	<u>(20,344)</u>
Total revenue (loss)	<u>(19,989)</u>	<u>-</u>	<u>(19,989)</u>
Total support and revenue	<u>822,752</u>	<u>17,000</u>	<u>839,752</u>
Expenses			
Program services	737,716	-	737,716
Management and general	42,502	-	42,502
Fundraising	19,386	-	19,386
Total expenses	<u>799,604</u>	<u>-</u>	<u>799,604</u>
Change in net assets	23,148	17,000	40,148
Net assets, beginning of year	<u>559,709</u>	<u>-</u>	<u>559,709</u>
Net assets, end of year	<u>\$ 582,857</u>	<u>\$ 17,000</u>	<u>\$ 599,857</u>

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

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

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue			
Support			
Contributions	\$ 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 \$35,957	<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	11,814	-	11,814
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 FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Employee compensation					
Salaries and related expenses	\$ 87,188	\$ 26,538	\$ 14,987	\$ 41,525	\$ 128,713
Occupancy expenses	15,277	2,695	1,522	4,217	19,494
Office expenses	9,118	2,775	1,567	4,342	13,460
Fundraising events	-	-	442	442	442
Professional services	-	8,958	-	8,958	8,958
Computer lab	85	-	-	-	85
Bus tokens and passes	7,546	-	-	-	7,546
Transportation	2,707	-	-	-	2,707
Pantry supplies	1,678	-	-	-	1,678
Distribution of food and supplies	606,239	-	-	-	606,239
Total functional expenses before depreciation	<u>729,838</u>	<u>40,966</u>	<u>18,518</u>	<u>59,484</u>	<u>789,322</u>
Depreciation of building and equipment	<u>7,878</u>	<u>1,536</u>	<u>868</u>	<u>2,404</u>	<u>10,282</u>
Total functional expenses	<u>\$ 737,716</u>	<u>\$ 42,502</u>	<u>\$ 19,386</u>	<u>\$ 61,888</u>	<u>\$ 799,604</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**

	Program Services	Supporting Services		Total Supporting Services	Total
		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
Fundraising events	-	-	805	805	805
Bus tokens and passes	6,579	-	-	-	6,579
Transportation	7,137	-	-	-	7,137
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>\$ 858,767</u>	<u>\$ 44,048</u>	<u>\$ 11,814</u>	<u>\$ 55,862</u>	<u>\$ 914,629</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, 2018 AND 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 40,148	\$ (15,004)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	20,398	19,475
Value of contributed food and supplies	597,877	(729,155)
Value of food and supplies distributed, including shrinkage and spoilage	(597,877)	729,155
Changes in assets and liabilities:		
Grants and accounts receivable	(4,561)	-
Inventory	(2,604)	5,722
Accounts payable	(920)	(3,933)
Deferred revenue	1,527	-
Net cash provided by (used for) operating activities	53,988	6,260
Cash flows from investing activities:		
Acquisition of property and equipment	(4,565)	(17,831)
Net cash provided by (used for) investing activities	(4,565)	(17,831)
Change in cash and cash equivalents	49,423	(11,571)
Cash and cash equivalents, beginning of year	68,280	79,851
Cash and cash equivalents, end of year	\$ 117,703	\$ 68,280

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

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

South Peoria Neighborhood Connection Foundation d/b/a South Tulsa Community House (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:

***Net Assets Without Donor Restrictions*** - Net assets available for use in general operations and not subject to donor or grantor restrictions.

***Net Assets With Donor Restrictions*** - Contributions and grants are reported as increases in net assets without donor restrictions if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Revenue Recognition***

Revenue is recognized when earned. Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

***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 net assets with donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

(Continued)

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

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

***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.

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, 2018 or 2017.

***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.

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**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

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

***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.

Additions and improvements that extend the useful lives of the assets are capitalized at cost. Expenditures for repairs and maintenance are expensed as incurred. Property and equipment additions of \$2,000 and greater are recorded at cost, or if donated, at fair value on the date of donation.

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 2018 or 2017.

***Beneficial Interest in Assets Held by Others***

The Foundation has investments with the Tulsa Community Foundation (TCF) of \$375,055 and \$364,913 at June 30, 2018 and 2017, 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 TCF 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, 2018 and 2017, approximately 7,010 and 4,545 volunteer hours were donated, respectively. No amounts have been reflected in the accompanying financial statements for such donated services because they do not meet the criteria for recognition.

***Functional Allocation of Expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and building depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, equipment depreciation and other which are allocated on the basis of estimates of time and effort.

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**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

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

***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 2015.

***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.

***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. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU was applied retrospectively to all periods presented.

***Subsequent Events***

The Foundation has evaluated subsequent events through October 11, 2018, 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 \$17,715 during 2018 and \$26,699 during 2017.

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.

(Continued)

**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 - CONCENTRATION (CONTINUED)**

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 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2018	2017
Cash	\$ 100,703	\$ 68,280
Grants and accounts receivable	4,561	-
Distributions from beneficial interests in assets held by others	18,000	18,077
Total	\$ 123,264	\$ 86,357

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates within a balanced budget and anticipates collecting sufficient revenues and grants to cover general expenditures.

**NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION**

The Foundation has adopted FASB ASU 2016-18, Restricted Cash, which requires the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheet that equal the total of the same such amounts shown in the statement of cash flows.

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**SOUTH PEORIA NEIGHBORHOOD CONNECTION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION (CONTINUED)**

	2018	2017
Cash and cash equivalents	\$ 100,703	\$ 68,280
Restricted cash	17,000	-
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 117,703</u>	<u>\$ 68,280</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

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

	2018	2017
Land	\$ 60,000	\$ 60,000
Building	465,702	461,137
Equipment	4,749	4,749
Automotive equipment	17,990	17,990
Artwork	750	750
	<u>549,191</u>	<u>544,626</u>
Less accumulated depreciation	<u>(70,350)</u>	<u>(49,952)</u>
Net property and equipment	<u>\$ 478,841</u>	<u>\$ 494,674</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$20,398 and \$19,475, respectively.

**NOTE 6 - 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, 2018 and 2017, was \$20,418 and \$21,119, respectively. Future minimum rental income is as follows: 2019 - \$21,349, 2020 - \$16,749, and 2021 - \$12,759.

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Property and equipment	<u>\$ 17,000</u>	<u>\$ -</u>

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

The Foundation's policy for recognizing restricted contributions for which the restriction is met within in the same reporting period as received, is to record the contribution as unrestricted. During the year ended June 30, 2018 and 2017 \$2,000 and \$20,000, respectively, of donor restricted contributions have been recorded as unrestricted.