

Karen Organization of Minnesota

St. Paul, Minnesota

Financial Statements

Years Ended December 31, 2016 and 2015

WIPFLi^{LLP}
CPAs and Consultants

Karen Organization of Minnesota

Years Ended December 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
Karen Organization of Minnesota
St. Paul, Minnesota

We have audited the accompanying financial statements of Karen Organization of Minnesota (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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; 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. 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 Karen Organization of Minnesota as of December 31, 2016 and 2015, 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.

Wipfli LLP

A handwritten signature in black ink that reads "Wipfli LLP".

June 13, 2017
Minneapolis, Minnesota

Karen Organization of Minnesota

Statements of Financial Position

December 31, 2016 and 2015

<i>Assets</i>	2016	2015
Current assets:		
Cash	\$ 228,027	\$ 173,542
Grants receivable	143,592	129,871
Other receivable	709	-
Prepaid expenses	29,715	15,688
Total current assets	402,043	319,101
Property and equipment:		
Vehicles and equipment	68,960	39,779
Less - Accumulated depreciation	33,718	23,577
Net property and equipment	35,242	16,202
TOTAL ASSETS	\$ 437,285	\$ 335,303
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 51,491	\$ 39,582
Accrued payroll and related liabilities	56,355	39,216
Deferred revenue	2,300	3,520
Total current liabilities	110,146	82,318
Net assets - Unrestricted	327,139	252,985
TOTAL LIABILITIES AND NET ASSETS	\$ 437,285	\$ 335,303

See accompanying notes to financial statements.

Karen Organization of Minnesota

Statements of Activities

Years Ended December 31, 2016 and 2015

	2016	2015
Public support and revenues:		
Federal grants	\$ 677,807	\$ 751,466
State grants	162,746	74,121
Private grants	376,204	389,959
Private fees	85,238	73,712
Contributions	35,795	11,788
Special event income, net of expenses	43,956	19,339
Other income	4,506	-
In-kind revenue	-	4,800
Interest income	162	19
Total public support and revenues	1,386,414	1,325,204
Expenses:		
Program services	1,103,903	1,071,720
Management and general	172,158	122,103
Fundraising	36,199	45,372
Total expenses	1,312,260	1,239,195
Change in net assets	74,154	86,009
Unrestricted net assets - Beginning of year	252,985	166,976
Unrestricted net assets - End of year	\$ 327,139	\$ 252,985

See accompanying notes to financial statements.

Karen Organization of Minnesota

Statements of Functional Expenses Years Ended December 31, 2016 and 2015

	Program Services			Total Program Services	Management and General	Fundraising	2016 Total
	Social Services	Employment Services	Youth Services				
Salaries and wages	\$ 359,667	\$ 121,462	\$ 107,269	\$ 588,398	\$ 54,190	\$ 11,423	\$ 654,011
Fringe benefits	72,481	24,510	21,684	118,675	12,950	2,286	133,911
Staff travel	6,675	2,573	2,681	11,929	900	42	12,871
Staff development	674	105	-	779	5,356	110	6,245
Consultant	12,249	6,580	425	19,254	51,431	10,965	81,650
Advertising	206	115	100	421	1,011	-	1,432
Office supplies	3,022	2,531	1,965	7,518	1,519	-	9,037
Postage and shipping	378	124	135	637	250	-	887
Repairs and maintenance	1,769	2,858	1,472	6,099	400	-	6,499
Depreciation expense	2,535	2,535	5,071	10,141	-	-	10,141
Building rent expense	40,002	13,111	12,127	65,240	24,029	-	89,269
Telephone	5,137	1,925	1,843	8,905	2,141	-	11,046
Insurance	932	911	1,797	3,640	913	-	4,553
Computer supplies and support	3,537	3,676	3,288	10,501	3,865	-	14,366
Copying and printing	3,353	1,360	1,278	5,991	1,535	437	7,963
Other expense	23	-	-	23	9,449	65	9,537
Client support	68,078	147,937	28,791	244,806	-	-	244,806
Dues and subscriptions	170	-	-	170	1,317	-	1,487
Event expense	656	-	63	719	607	10,871	12,197
Meeting expenses	57	-	-	57	295	-	352
Total expenses	\$ 581,601	\$ 332,313	\$ 189,989	\$ 1,103,903	\$ 172,158	\$ 36,199	\$ 1,312,260

See accompanying notes to financial statements.

Karen Organization of Minnesota

Statements of Functional Expenses (Continued)

Years Ended December 31, 2016 and 2015

	Program Services				Management and General	Fundraising	2015 Total
	Social Services	Employment Services	Youth Services	Total Program Services			
Salaries and wages	\$ 263,717	\$ 112,458	\$ 129,410	\$ 505,585	\$ 24,864	\$ 30,455	\$ 560,904
Fringe benefits	54,629	23,258	26,800	104,687	5,160	6,306	116,153
Staff travel	11,456	2,709	3,715	17,880	763	-	18,643
Staff development	3,826	1,045	1,017	5,888	1,508	-	7,396
Consultant	12,488	106	81	12,675	43,587	500	56,762
Advertising	127	78	77	282	9,248	-	9,530
Farming supplies	5,600	-	-	5,600	-	-	5,600
Office supplies	4,078	1,587	1,398	7,063	684	197	7,944
Postage and shipping	530	303	258	1,091	326	-	1,417
Repairs and maintenance	3,909	3,484	2,214	9,607	1,766	464	11,837
Depreciation expense	5,558	532	613	6,703	659	176	7,538
Building rent expense	30,299	14,298	11,488	56,085	13,218	-	69,303
Telephone	6,658	2,154	2,390	11,202	2,091	-	13,293
Insurance	935	463	29	1,427	2,476	-	3,903
Computer supplies and support	25,500	11,672	11,577	48,749	8,542	2,281	59,572
Copying and printing	3,732	1,762	1,300	6,794	1,869	-	8,663
Other expense	309	-	-	309	3,251	48	3,608
Client support	103,131	117,326	49,636	270,093	206	-	270,299
Interest expense	-	-	-	-	314	-	314
Dues and subscriptions	-	-	-	-	1,250	-	1,250
Event expense	-	-	-	-	-	4,945	4,945
Meeting expenses	-	-	-	-	321	-	321
Total expenses	\$ 536,482	\$ 293,235	\$ 242,003	\$ 1,071,720	\$ 122,103	\$ 45,372	\$ 1,239,195

See accompanying notes to financial statements.

Karen Organization of Minnesota

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ 74,154	\$ 86,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,141	7,538
Changes in operating assets and liabilities:		
Grants receivable	(13,721)	(25,215)
Other receivable	(709)	220
Prepaid expenses	(14,027)	5,428
Accounts payable	11,909	2,867
Accrued payroll and related liabilities	17,139	(1,622)
Deferred revenue	(1,220)	3,520
Net cash provided by operating activities	83,666	78,745
Cash flows from investing activities - Purchase of equipment	(29,181)	(5,000)
Cash flows from financing activities - Principal payments on notes payable	-	(5,543)
Change in cash	54,485	68,202
Cash - Beginning of year	173,542	105,340
Cash - End of year	\$ 228,027	\$ 173,542
Supplemental cash flow information:		
Cash paid for interest	\$ 0	\$ 314

See accompanying notes to financial statements.

Karen Organization of Minnesota

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Karen Organization of Minnesota (the "Organization") is a nonstock, nonprofit corporation organized under the laws of the State of Minnesota. The mission of the Organization is to enhance the quality of life for Karen and other refugees from Burma living in Minnesota. The Organization achieves this by assisting refugees to settle, integrate, and become increasingly self-sufficient; fostering cultural knowledge and understanding; and strengthening organizational capacity and effectiveness to meet the needs of the community.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

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 Organization and changes therein are classified and reported as follows:

Unrestricted net assets are the net assets of the Organization that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization currently has no temporarily restricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization currently has no permanently restricted net assets.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Karen Organization of Minnesota

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding grant billings. Management has deemed an allowance is not necessary because the balance is considered fully collectible.

Property, Equipment, and Depreciation

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment with a value greater than or equal to \$1,000 and a useful life of greater than one year.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by the Organization. The net book value of grant-funded property and equipment included on the statements of financial position was \$855 and \$6,678 at December 31, 2016 and 2015, respectively.

Contribution Revenue

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Karen Organization of Minnesota

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue

Grants are recorded as either contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

Grant Awards that are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

In-Kind Contributions

No amounts have been reflected in the financial statements for donated volunteer services, since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising campaigns.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.

Karen Organization of Minnesota

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 13, 2017, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each financial institution. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 3: Major Funding Source

The Organization received approximately 49% and 57% of its public support in 2016 and 2015, respectively, from the United States Department of Health and Human Services, passed through the State of Minnesota and local agencies.

Note 4: Line of Credit

The Organization maintains a line of credit with Bremer Bank in the amount of \$50,000, with interest at the prime rate set by Bloomberg plus 2.00%. The effective rate at December 31, 2016, was 5.75%. The line of credit matures May 8, 2017. The line of credit is collateralized by equipment. There were no outstanding balances on the line of credit as of December 31, 2016 and 2015.

Karen Organization of Minnesota

Notes to Financial Statements

Note 5: Operating Leases

The Organization conducts a portion of its operations in leased facilities under noncancelable operating leases. The Organization is required to pay all operating expenses, maintenance costs, repairs, and insurance on the leased facilities. The Organization also leases office equipment under an operating lease.

Future minimum payments as of December 31, 2016, by year and in the aggregate, under the noncancelable operating leases with initial or remaining terms in excess of one year consisted of the following:

	Facilities	Office Equipment	Total
2017	\$ 75,916	\$ 1,719	\$ 77,635
2018	79,714	1,719	81,433
2019	83,692	1,719	85,411
2020	14,060	1,719	15,779
2021	-	492	492
Totals	\$ 253,382	\$ 7,368	\$ 260,750

Rent expense for the years ended December 31, 2016 and 2015, was \$73,587 and \$71,540, respectively.