

NEIGHBORHOOD INVOLVEMENT PROGRAM, INC.

MINNEAPOLIS, MINNESOTA

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Neighborhood Involvement Program, Inc.

We have audited the accompanying financial statements of Neighborhood Involvement Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Neighborhood Involvement Program, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has resolved to discontinue its operations. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Neighborhood Involvement Program, Inc.'s 2013 financial statements, and our report dated March 5, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,

Lewis & Associates, Ltd.

April 6, 2015

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014
 (With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 139,243	\$ 486,300
Accounts Receivable	40,451	84,720
Inventories		4,961
Prepaid Expenses	22,359	29,368
Total Current Assets	202,053	605,349
<u>Property and Equipment</u>		
Land	68,000	68,000
Buildings and Improvements	1,961,637	1,952,197
Furnishings and Equipment	354,017	326,062
Total Property and Equipment	2,383,654	2,346,259
Less Accumulated Depreciation	<u>(1,650,387)</u>	<u>(1,582,911)</u>
Net Property and Equipment	733,267	763,348
Total Assets	<u>935,320</u>	<u>1,368,697</u>
<u>LIABILITIES</u>		
<u>Current</u>		
Accounts Payable	31,958	17,275
Other Accrued Items	47,499	103,505
Short Term Loan	100,000	
Deferred Revenue	1,767	31,250
Total Current Liabilities	181,224	152,030
<u>NET ASSETS</u>		
Unrestricted	646,449	1,008,406
Temporarily Restricted	107,647	208,261
Total Net Assets	754,096	1,216,667
Total Liabilities and Net Assets	<u>935,320</u>	<u>1,368,697</u>

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<u>Public Support and Revenue</u>				
Public Support:				
Individuals and Religious	\$ 92,150		\$ 92,150	\$ 180,951
Foundations and Businesses	204,075	\$ 45,000	249,075	431,120
Governmental Agencies	502,213		502,213	383,498
United Way	172,000		172,000	172,002
Net Assets Released From Restrictions	145,614	(145,614)		
Total Public Support	<u>1,116,052</u>	<u>(100,614)</u>	<u>1,015,438</u>	<u>1,167,571</u>
Revenue:				
Program Service Fees	450,048		450,048	656,092
Special Events	6,967		6,967	38,737
Miscellaneous	16,006		16,006	34,870
Contributed Services and Supplies	1,216,161		1,216,161	1,627,694
Total Revenue	<u>1,689,182</u>		<u>1,689,182</u>	<u>2,357,393</u>
Total Public Support and Revenue	<u>2,805,234</u>	<u>(100,614)</u>	<u>2,704,620</u>	<u>3,524,964</u>
<u>Expenses</u>				
Program Services:				
Health Clinic	950,705		950,705	1,239,754
Rape and Sexual Abuse Center	662,873		662,873	786,682
Counseling	470,223		470,223	482,088
NIP Therapy	48,303		48,303	88,626
Seniors	561,297		561,297	406,718
Youth	121,221		121,221	127,508
Total Program Services	<u>2,814,622</u>		<u>2,814,622</u>	<u>3,131,376</u>
Supporting Services				
General and Administrative	227,388		227,388	201,609
Fundraising	125,180		125,180	221,783
Total Supporting Services	<u>352,568</u>		<u>352,568</u>	<u>423,392</u>
Total Expenses	<u>3,167,190</u>		<u>3,167,190</u>	<u>3,554,768</u>
Change in Net Assets	<u>(361,956)</u>	<u>(100,614)</u>	<u>(462,570)</u>	<u>(29,804)</u>
Net Assets - Beginning of Year	1,008,405	208,261	1,216,666	1,246,471
Net Assets - End of Year	<u>646,449</u>	<u>107,647</u>	<u>754,096</u>	<u>1,216,667</u>

See accompanying notes to financial statements.

Neighborhood Involvement Program, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for 2013)

	Program Services							Supporting Services			Total Expenses	
	Health Clinic	Rape & Sexual Abuse	Counseling	NIP Therapy	Seniors	Youth	Total Program Services	General and Admin	Fund Raising	Total Supporting Services	2014	2013
Salaries	\$ 445,478	\$ 279,994	\$ 154,903	\$ 38,039	\$ 139,520	\$ 69,898	\$ 1,127,832	\$ 78,980	\$ 34,910	\$ 113,890	\$ 1,241,722	\$ 1,275,896
Payroll Taxes & Benefits	82,079	44,987	23,305	4,239	21,026	9,869	185,505	16,861	3,234	20,095	205,600	185,195
Contract & Temporary Services	10,372	22,737	19,603	1,505	9,247	651	64,115	13,878	78,727	92,605	156,720	126,260
Liability Insurance	9,980	1,955	739	283	2,737	2,383	18,077	2,020	438	2,020	20,097	15,614
Local Travel	150	2,250	73		3,772	1,049	7,294	459		897	8,191	7,238
Education & Subscriptions	729	155	137		971	269	2,261	772		772	3,033	4,427
Dues	4,257	675	125		55	300	5,412	2,684		2,684	8,096	7,002
Advertising	71	470	368		128		1,037	550		550	1,587	1,628
Occupancy	21,650	12,577	11,380	2,485	4,975	9,434	62,501	3,744	2,098	5,842	68,343	68,961
Equipment Repair & Maintenance	5,119	902	796		2,450	186	9,453	1,003		1,003	10,456	10,923
Telephone	2,229	2,396	2,163		702	200	7,690	1,409	247	1,656	9,346	9,581
Office Supplies	1,042	516	662	44	536	405	3,205	1,918	80	1,998	5,203	3,683
Postage	1,767	293	173	17	948	85	3,283	794	637	1,431	4,714	8,142
Printing	4,867	1,962	1,506	20	1,523	476	10,354	2,204	3,083	5,287	15,641	13,326
Program Expense	16,429	1,124	323		2,419	2,434	22,729	1,419	4	1,423	24,152	37,840
Specific Assistance	180	44	80		58,525	17,692	76,521				76,521	48,879
Expenses for Sales	10,435						10,435				10,435	18,365
Donated Professional Services	196,007	277,988	242,697		306,337	4,110	1,027,139	94,050		94,050	1,121,189	1,496,284
Donated Program Supplies	84,422	3,930	5,086	512	240	181	94,371	600		600	94,971	131,410
Expenses for Events						480	480		566	566	1,046	4,648
Miscellaneous	6,433	1,797	1,762	713	3		10,708	1,944		1,944	12,652	15,594
Total Expenses Before Depreciation	903,696	656,752	465,881	47,857	556,114	120,102	2,750,402	225,289	124,024	349,313	3,099,715	3,490,896
Depreciation	47,009	6,121	4,342	446	5,183	1,119	64,220	2,099	1,156	3,255	67,475	63,872
Total Expenses	950,705	662,873	470,223	48,303	561,297	121,221	2,814,622	227,388	125,180	352,568	3,167,190	3,554,768

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

DECEMBER 31, 2014

(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from (to) Operating Activities</u>		
Change in Net Assets	\$ (462,570)	\$ (29,804)
Adjustments to Reconcile:		
Depreciation	67,475	63,872
Inventory Disposal	1,149	
(Increase) Decrease in Accounts Receivable	44,269	(7,330)
Decrease in Inventories	3,812	3,306
(Increase) Decrease in Prepaid Items	7,009	(6,446)
Increase in Accounts Payable	14,683	6,126
Increase (Decrease) in Other Accrued Liabilities	(56,006)	24,230
Increase (Decrease) in Deferred Revenue	(29,483)	31,250
Net Cash from (to) Operating Activities	<u>(409,662)</u>	<u>85,204</u>
<u>Cash Flows (to) Investing Activities</u>		
Purchase of Property and Equipment	(37,395)	(3,763)
<u>Cash Flows from Financing Activities</u>		
Proceeds from Short Term Note	100,000	
Net Increase in Cash	<u>(347,057)</u>	<u>81,441</u>
Cash - Beginning of Year	486,300	404,859
Cash - End of Year	<u><u>139,243</u></u>	<u><u>486,300</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. Nature of the Organization

Neighborhood Involvement Program, Inc. (N.I.P.) has a longstanding reputation for innovation, integrity, and community collaboration that has been developed over an organizational history spanning more than 40 years. The Organization was founded in the mid-1960s by an interdenominational group of faith communities located just southwest of downtown Minneapolis. Incorporated in 1968, N.I.P. initially offered volunteer-based programs for youth and single parent families. In 1972, the Organization expanded its services to establish a health care clinic (formerly known as the Uptown Community Clinic or UCC) and a pioneering rape and sexual assault center (RSAC). As part of N.I.P.'s ongoing efforts to respond to community needs, N.I.P. relocated its Youth Program staff as well as some Senior Program staff, to offices housed in the Greater Minneapolis Council of Churches' Center for Families, in North Minneapolis.

N.I.P. operated as a multi-service organization where employees and hundreds of volunteers provided health care and mental health and social services to metro-area residents. N.I.P.'s programs provided a vital safety net to new immigrants, people temporarily without health insurance, those working to manage mental health issues, seniors struggling to remain independent, those recovering from the trauma of sexual violence and youth and their families living in poverty.

N.I.P. strengthened individuals through the following programs and goals:

Community Clinic – provided personalized and affordable medical and dental care for uninsured and underinsured individuals and families.

N.I.P. Community Clinic was a primary care medical and dental care clinic located in South Minneapolis. The mission of the clinic was to provide quality, low cost medical and dental services to the community's low income, uninsured and underinsured persons. The clinic had served this population for more than 40 years and was unique among primary care clinics in that it served only the uninsured and underinsured. Since its beginning in 1972, the clinic had been staffed by a small group of paid medical and dental personnel and a large volunteer force. As a result, medical and dental services were affordable and accessible to many who might otherwise have difficulty accessing care.

The Clinic's target population was low income persons who fell between the cracks because of ineligibility for government programs and inability to afford the cost of private office visits.

On August 29, 2014 the clinic closed for services.

Counseling Center – offered low cost mental health care, including individual, couples, family and group counseling, to help those with mental health concerns related to issues such as depression, grief, family problems and relationships.

Rape & Sexual Abuse Center – offered 24-hour emergency counseling, therapy and legal advocacy for survivors of sexual assault and abuse, as well as community education/outreach primarily to children and adolescents.

Youth Programs – provided educational enrichment opportunities for low-income, school-aged youth during non-school hours. The programs complemented the formal learning that occurred during school hours.

Seniors Programs – provided chore assistance services to elderly homeowners trying to maintain their independence and social outlets for isolated seniors.

On December 31, 2014, all programs, with the exception of Community Clinic, transitioned to other nonprofit organizations and Neighborhood Involvement Program, Inc. stopped offering program services.

2. Summary of Significant Accounting Policies

Basis of Presentation – Income and expenses are recorded on the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred. 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 related changes are classified and reported as follows:

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Those assets subject to donor imposed stipulations that they be maintained permanently by the Organization, that neither expire by passage of time nor can be fulfilled or otherwise removed by the action of the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2014.

Accounts Receivable – Accounts receivable consist of amounts due from grants. No allowance for doubtful accounts has been provided as amounts are considered to be fully collectible.

Inventory – Inventory is valued at the lower of cost or market and consists of various medicines and supplies to be sold to clinic patients. The inventory was donated to other organizations when the clinic closed.

Property and Equipment – Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the following estimated useful lives.

Buildings	20 Years
Buildings and Improvements	20 Years
Furnishings and Equipment	7 – 20 Years

Deferred Revenue – Deferred revenue consists of amounts received in advance of services performed.

Functional Allocation of Expenses – The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Services and Supplies (In-Kind Contributions) – Many individuals have donated time and services to advance the Organization's programs and objectives. The services recorded in the financial statements would be purchased if they had not been provided by contribution, required specialized skills, and were provided by professionals possessing those skills. The professional services are recorded in the financial statements at their fair market value. For the year ended December 31, 2014, the Organization received contributed services of \$1,121,189 and contributed supplies of \$94,971.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Prior Year Summarized Totals – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from where the summarized information was derived. Certain amounts have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. There was no effect on net assets.

Use of Estimates – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Subsequent Events – Subsequent events have been evaluated through April 6, 2015, which is the date the financial statements were available to be issued.

3. Short Term Note

The Organization obtained a short term note payable to a foundation for \$100,000. The note is secured by the building and its contents. The entire principal balance of the note is payable upon the earlier of the sale of the building or on September 30, 2015. The note bears no interest. See Note 10.

4. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statutes. It has been classified as an Organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Management has evaluated and determined that there are no uncertain tax positions as of December 31, 2014. Tax returns for the past three years remain open for examination by tax jurisdictions.

5. Retirement Plan

The Organization offered a tax deferred plan for benefit eligible employees. Under the Plan, the Organization had historically matched a portion of employee contributions, although since 2010, the match was suspended due to budgetary constraints. On December 31, 2014, the plan was terminated.

6. Leases

The Organization leased facilities in connection with its services and operation of its North Minneapolis location. The 2013 lease agreement called for \$11,028 base rent payable in monthly installments of \$919. Total rent expense was \$9,257 for 2014.

The Organization has entered into a lease agreement to rent a portion of the building as operations close. The terms of the lease are \$3,500 per month for up to one year with an early termination notice period of four months. The Organization has given notice and the lease will end on July 31, 2015.

7. Concentrations

The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit.

The Organization's clinic relied on the donated services of medical professionals. The Organization received grants from a limited number of Organizations and those grants may not be renewed. Any of these concentrations could have an impact on the Organization's activities.

8. Restricted Funds

At December 31, 2014, temporarily restricted net assets consisted of grants and contributions designated for future periods in the amount of \$80,349 and funds to be used for building improvements and repairs in the amount of \$27,298.

9. Going Concern

The Organization's Board of Directors passed a resolution on February 18, 2015 to dissolve the Organization. With the Affordable Care Act, changes to the healthcare industry would have required a multitude of changes in how the Organization was conducting all healthcare services. The other programs are being transitioned into other nonprofit organizations.

10. Subsequent Events

The Organization closed on the sale of the building on January 30, 2015 at a sale price of \$1,250,000. As per the short term loan agreement, the loan was paid off.

SUPPLEMENTARY INFORMATION

SUPPLEMENTAL SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

Changes in Unrestricted Net Assets

Revenues and Gains from Operations		
Program Service Fees - Medical and Dental Clinic	\$ 222,343	
Program Service Fees - Mental Health Programs	189,919	
Program Service Fees - Seniors Programs	37,596	
Program Service Fees - Youth Programs	190	
Fundraising Events	6,967	
Other Operating Income	16,006	
Contributed Services and Supplies	<u>1,216,161</u>	
Total Revenues and Gains from Operations		\$ 1,689,182
Operating Expenses		
Medical and Dental Clinic	950,705	
Mental Health Programs	1,181,399	
Seniors Services Programs	561,297	
Youth and Family Service Programs	121,221	
General Administrative	<u>227,388</u>	
Total Operating Expenses		3,042,010
Deficiency (from) Operations		<u>(1,352,828)</u>
Public Support and Fund Raising Costs		
Annual Giving	92,150	
Foundation Grants and Contracts	249,075	
Government Contracts	502,213	
United Way	172,000	
Fundraising Costs	<u>(125,180)</u>	
Total Public Support and Fund Raising Costs		890,258
Change in Net Assets		<u>(462,570)</u>
Net Assets - Beginning of Year		1,216,666
Net Assets - End of Year		<u><u>754,096</u></u>

See independent auditor's report.