

**SILVER SPRING NEIGHBORHOOD
CENTER, INC.**

Financial Statements
and Supplementary Information
June 30, 2013 and 2012



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INDEPENDENT AUDITOR'S REPORT

January 10, 2014

To the Board of Directors
Silver Spring Neighborhood Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Silver Spring Neighborhood Center, Inc. which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, and cash flows for the year then ended and the related notes to the financial statements and supplementary information, as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Silver Spring Neighborhood Center, Inc. as of June 30, 2013, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the *State of Wisconsin State Single Audit Guidelines*, issued by the Wisconsin Department of Administration; and the *Provider Agency Guide*, issued by the Wisconsin Department of Health Services, the Wisconsin Department of Corrections, and the Divisions of Economic Support and Vocational Rehabilitation within the Wisconsin Department of Workforce Development; 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 for the year ended June 30, 2013 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended June 30, 2013 is fairly stated, in all material respects, in relation to the financial statements as a whole. The supplementary information for the year ended June 30, 2012, was audited by other auditors whose report, dated November 21, 2012, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

The financial statements of Silver Spring Neighborhood Center, Inc. as of and for the year ended June 30, 2012, were audited by other auditors whose report dated November 21, 2012, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014 on our consideration of Silver Spring Neighborhood Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silver Spring Neighborhood Center, Inc.'s internal control over financial reporting and compliance.

Sikich LLP

Sikich LLP

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Statements of Financial Position

As of June 30,

ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 607,679	\$ 784,622
Prepaid expenses	-	50
Accounts receivable, net	16,090	7,478
Grants receivable	252,030	273,941
Pledges receivable, net	<u>74,841</u>	<u>177,092</u>
Total Current Assets	<u>950,640</u>	<u>1,243,183</u>
<u>Property and Equipment</u>		
Property and equipment	3,239,608	3,239,608
Less: Accumulated depreciation	<u>1,385,004</u>	<u>1,271,983</u>
Property and equipment, net	<u>1,854,604</u>	<u>1,967,625</u>
<u>Other Assets</u>		
Reserve for unemployment	37,320	34,000
Salary advances	<u>1,881</u>	<u>1,779</u>
Total Other Assets	<u>39,201</u>	<u>35,779</u>
Total Assets	<u>\$ 2,844,445</u>	<u>\$ 3,246,587</u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 130,751	\$ 156,304
Accrued payroll	136,598	172,979
Note payable - current	83,000	83,000
Deferred revenue	<u>-</u>	<u>63,534</u>
Total Current Liabilities	<u>350,349</u>	<u>475,817</u>
<u>Long-Term Liabilities</u>		
Note payable	1,169,000	1,169,000
Reserve for unemployment	<u>37,320</u>	<u>34,000</u>
Total Long-Term Liabilities	<u>1,206,320</u>	<u>1,203,000</u>
Total Liabilities	<u>1,556,669</u>	<u>1,678,817</u>
<u>Commitment</u>		
<u>Net Assets</u>		
Unrestricted	535,178	811,855
Temporarily restricted	<u>752,598</u>	<u>755,915</u>
Total Net Assets	<u>1,287,776</u>	<u>1,567,770</u>
Total Liabilities and Net Assets	<u>\$ 2,844,445</u>	<u>\$ 3,246,587</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Statements of Activities

For the year ended June 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>
<u>Revenues</u>				
Individual contributions	\$ 179,315	\$ -	\$ -	\$ 179,315
Corporate contributions	80,767	-	-	80,767
Foundation grants	82,403	-	-	82,403
United Way	585,658	35,000	-	620,658
Federal grants	990,622	-	-	990,622
State grants	94,765	-	-	94,765
County grants	368,313	-	-	368,313
City grants	3,000	13,909	-	16,909
Other grants	1,125	-	-	1,125
Program service fees	53,074	-	-	53,074
Rental income	115,692	-	-	115,692
Fund-raising income	7,002	-	-	7,002
Special events	56,300	-	-	56,300
Investment income	1,025	-	-	1,025
In-kind donations	313,714	-	-	313,714
Miscellaneous	<u>1,403</u>	<u>-</u>	<u>-</u>	<u>1,403</u>
Total Revenue	2,934,178	48,909	-	2,983,087
Net Assets Released from Restrictions	<u>52,226</u>	<u>(52,226)</u>	<u>-</u>	<u>-</u>
Total Revenue and Transfers	<u>2,986,404</u>	<u>(3,317)</u>	<u>-</u>	<u>2,983,087</u>
<u>Expenses</u>				
Program services	2,811,857	-	-	2,811,857
Management and general	324,574	-	-	324,574
Fund-raising	<u>126,650</u>	<u>-</u>	<u>-</u>	<u>126,650</u>
Total Expenses	<u>3,263,081</u>	<u>-</u>	<u>-</u>	<u>3,263,081</u>
Change in Net Assets	(276,677)	(3,317)	-	(279,994)
Net Assets, Beginning	<u>811,855</u>	<u>755,915</u>	<u>-</u>	<u>1,567,770</u>
Net Assets, Ending	<u>\$ 535,178</u>	<u>\$ 752,598</u>	<u>\$ -</u>	<u>\$ 1,287,776</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Statements of Activities

For the year ended June 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>
<u>Revenues</u>				
Individual contributions	\$ 186,228	\$ 902	\$ -	\$ 187,130
Corporate contributions	97,081	-	-	97,081
Foundation grants	182,843	5,759	-	188,602
United Way	569,685	18,958	-	588,643
Federal grants	1,263,606	-	-	1,263,606
State grants	73,574	-	-	73,574
County grants	416,268	-	-	416,268
City grants	3,000	-	-	3,000
Program service fees	94,536	-	-	94,536
Rental income	111,780	-	-	111,780
Fund-raising income	13,832	-	-	13,832
Special events	81,386	-	-	81,386
Special events expenses	(4,826)	-	-	(4,826)
Investment income	2,175	-	-	2,175
In-kind donations	324,471	-	-	324,471
Miscellaneous	<u>2,139</u>	<u>-</u>	<u>-</u>	<u>2,139</u>
Total Revenue	3,417,778	25,619	-	3,443,397
Net Assets Released from Restrictions	<u>169,282</u>	<u>(169,282)</u>	<u>-</u>	<u>-</u>
Total Revenue and Transfers	<u>3,587,060</u>	<u>(143,663)</u>	<u>-</u>	<u>3,443,397</u>
<u>Expenses</u>				
Program services	2,961,606	-	-	2,961,606
Management and general	384,986	-	-	384,986
Fund-raising	<u>234,884</u>	<u>-</u>	<u>-</u>	<u>234,884</u>
Total Expenses	<u>3,581,476</u>	<u>-</u>	<u>-</u>	<u>3,581,476</u>
Change in Net Assets	5,584	(143,663)	-	(138,079)
Net Assets, Beginning	<u>806,271</u>	<u>899,578</u>	<u>-</u>	<u>1,705,849</u>
Net Assets, Ending	<u>\$ 811,855</u>	<u>\$ 755,915</u>	<u>\$ -</u>	<u>\$ 1,567,770</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Statements of Cash Flows

For the years ended June 30,

	<u>Cash Increase or (Decrease)</u>	
	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (279,994)	\$ (138,079)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	113,021	114,409
Bad debt expense	50,245	-
<u>Decrease (increase) in:</u>		
Prepaid expenses	50	-
Inventory	-	13,375
Accounts receivable	(58,857)	2,490
Grants receivable	21,911	(35,280)
Pledges receivable	102,251	(6,804)
Reserve for unemployment	(3,320)	-
Salary advances	(102)	478
<u>Increase (decrease) in:</u>		
Accounts payable	(25,553)	52,908
Accrued payroll	(36,381)	23,401
Reserve for unemployment	3,320	-
Deferred revenue	<u>(63,534)</u>	<u>(33,808)</u>
Net Cash (Used) by Operating Activities	<u>(176,943)</u>	<u>(6,910)</u>
<u>Cash Flows From Financing Activities</u>		
Principal payments on notes payable	<u>-</u>	<u>(83,000)</u>
Net (Decrease) in Cash and Cash Equivalents	(176,943)	(89,910)
Cash and Cash Equivalents - Beginning of Year	<u>784,622</u>	<u>874,532</u>
Cash and Cash Equivalents - End of Year	<u>\$ 607,679</u>	<u>\$ 784,622</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #1 Summary of Significant Accounting Policies

Nature of Operations

Silver Spring Neighborhood Center, Inc. (the "Organization") is a not-for-profit organization whose mission is to build a safer, stronger neighborhood and community. This is accomplished through the operations of an early childhood day care center and the community learning centers ("CLCs"). Programs include education from early childhood and teens through adults, and Spartan sports leagues for school age youths. The goal of Silver Spring Neighborhood Center, Inc. is to support and empower low-income families and individuals of all ages to achieve self-sufficiency.

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America ("USGAAP").

Net Assets

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

Net assets of the Organizations that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include amounts available for support of the Organizations' operations and amounts designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets

Net assets whose use by the Organization has been limited by donors to a specific time period or purpose.

Permanently Restricted Net Assets

Permanently restricted net assets includes assets which have been restricted by donors to be maintained by the Organization in perpetuity. The Organization does not hold any permanently restricted net asset as of June 30, 2013 and 2012.

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

The Organization has evaluated subsequent events through January 10, 2014, the date on which the financial statements were available to be issued.

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts, money market accounts and other instruments having an original maturity of three months or less to be equivalent to cash.

The Organization at times had funds on deposit at financial institutions that exceeded the federally insured limit during 2013 and 2012.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #1 Summary of Significant Accounting Policies (Cont'd)

Accounts, Grants and Pledges Receivable

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. Accounts receivable consist of day care parent and other fees.

Receivables are reviewed periodically by management to determine the adequacy of the allowance for doubtful accounts. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Based upon management's evaluation, the Organization believes its allowance for doubtful accounts of approximately \$36,000 and \$29,000 as of June 30, 2013 and 2012, respectively, is adequate. However, actual write-offs might exceed the recorded allowance.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist of cash and cash equivalents and receivables. These financial instruments are carried at their approximate fair value due to their short maturities. The Organization's policy is to limit credit exposure on financial instruments and places its cash and investments with various financial institutions deemed as being credit worthy.

Concentrations of program service fees derived from purchasers were as follows for the years ended June 30:

	2013		2012	
	<u>Program Service Fees</u>	<u>Accounts Receivable</u>	<u>Program Service Fees</u>	<u>Program Service Fees</u>
Milwaukee County	13 %	14 %	12 %	- %
Wisconsin Department of Children & Families	*	*	15	15
Milwaukee Public Schools	<u>15</u>	<u>40</u>	<u>16</u>	<u>38</u>
Total	<u>28 %</u>	<u>54 %</u>	<u>43 %</u>	<u>53 %</u>

* Less than 10%

Property and Equipment

Property and equipment are recorded at cost, or estimated fair value, if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes all fixed assets greater than \$5,000, and maintenance, repairs, or minor improvements which neither materially add to the value of the property nor appreciably prolong its life are expensed as incurred. Gains or losses on dispositions of property and equipment are included in income. Estimated lives and balances of property and equipment consisted of the following as of June 30:

	<u>Years</u>	<u>2013</u>	<u>2012</u>
Leasehold improvements	10-30	\$ 3,143,429	\$ 3,143,429
Equipment	5-10	41,020	41,020
Vehicles	5	<u>55,159</u>	<u>55,159</u>
Total property and equipment		3,239,608	3,239,608
Less: Accumulated depreciation		<u>1,385,004</u>	<u>1,271,983</u>
Property and Equipment, net		<u>\$ 1,854,604</u>	<u>\$ 1,967,625</u>

Depreciation expense during 2013 and 2012 totaled \$113,021 and \$114,409, respectively.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #1 Summary of Significant Accounting Policies (Cont'd)

Donated Services and Assets

The Organization recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Donated assets are recorded in the financial statements as assets and revenue at their estimated fair market value on the date the assets are contributed. When the fair market value of the donated services or assets is not ascertainable, those services or assets are not reflected in the financial statements.

The value of donated services or assets included as contributions in the financial statements and the corresponding expenses for the years ended June 30, are summarized as follows:

	<u>2013</u>	<u>2012</u>
Donated legal services	\$ 18,250	\$ 4,925
Donated supplies and equipment	-	29,655
Donated rent	275,000	275,000
Donated nursing services	<u>20,464</u>	<u>14,891</u>
Total	<u>\$ 313,714</u>	<u>\$ 324,471</u>

Contribution, Grant and Fee Revenue

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended conditional grants are reported as temporarily restricted net assets until they are spent for purposes of the grant. Donor-restricted contributions, grants and investment income whose restrictions are met within the same year as received are reflected as increases in unrestricted net assets.

Grants and program service fees are recognized as revenue when they are earned for services rendered or qualified expenditures are reimbursed.

Functional Expense Allocation

Expenses are recognized when they are incurred. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are based on direct labor hours, square footage, or other measures deemed appropriate for each cost category.

Deferred Revenue

Funds received but not earned as of the date of the statements of financial position, have been classified as deferred revenue. Revenues will be recognized in future periods as the expenses are incurred.

The Organization records grant awards accounted for as exchange transactions as deferred revenue until related services are performed, at which time they are recognized as revenue. Deferred revenue consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Wisconsin Department of Children and Families	<u>\$ -</u>	<u>\$ 63,534</u>

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #2 Grants Receivable

Grants receivable consist of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Community Advocates	\$ 43,815	\$ 13,051
Jewish Family Services	-	4,051
Medical College of Wisconsin	26,692	14,008
Milwaukee County	37,135	-
Milwaukee Public Schools	103,943	107,965
Miscellaneous	-	2,051
Safe and Sound	-	20,050
UMOS	29,842	-
Wisconsin Department of Children and Families	-	42,090
Wisconsin Technical College System	10,603	4,162
Wisconsin Workforce Development	-	39,280
Youth Programs	-	27,233
Total	<u>\$ 252,030</u>	<u>\$ 273,941</u>

Note #3 Pledges Receivable

The Organization records pledges in the year in which they are made. Net pledges receivable are summarized as follows:

	<u>2013</u>	<u>2012</u>
Total pledges receivable	\$ 76,415	\$ 181,796
Less: Adjustments to present value for future cash flows from pledges receivable	1,574	2,613
Less: Allowance for uncollectible pledges receivable	<u>-</u>	<u>2,091</u>
Present value of net pledges receivable	<u>\$ 74,841</u>	<u>\$ 177,092</u>

Payments on pledges receivable as of June 30, 2013 are estimated to be received as follows:

2014	\$ 26,415
2015	25,000
2016	<u>25,000</u>
Total pledges receivable	<u>\$ 76,415</u>

The discount rate used to determine the present value of pledges receivable is a risk-free rate of return.

Note #4 Reserve for Unemployment Compensation Claims

Under the terms of Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. The balance of \$37,320 and \$34,000 as of June 30, 2013 and 2012, respectively, represents accumulated funds for the payment of future unemployment compensation claims maintained in a restricted cash account.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #5 Note Payable

On September 1, 2004, the Organization signed a promissory note with the Housing Authority of the City of Milwaukee ("HACM"). The promissory note was non-cash financing related to the leasehold improvements on the building occupied by the Organization and owned by HACM. This interest-free promissory note is due in annual installments of \$83,000 payable on December 31 of each year, expiring on December 31, 2026. The principal payment for the year ended June 30, 2013 was waived and added to the end of the note, with the term extended to December 31, 2027. The promissory note is contingent upon the presence of an operating lease for the building (See Note #7). As of June 30, 2013 and 2012, the balance on the note was \$1,252,000.

Required payments of principal on long-term debt as of June 30, 2013 are summarized as follows:

2014	\$ 83,000
2015	83,000
2016	83,000
2017	83,000
2018	83,000
Thereafter	<u>837,000</u>
Total	<u>\$ 1,252,000</u>

Interest paid during 2013 and 2012 totaled \$242 and \$164, respectively.

Note #6 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Restricted for time:	\$ 74,119	\$ 116,597
Restricted for purpose:		
Building support	603,417	613,165
CLC summer program	13,909	-
Scholarships	26,153	26,153
Transitional Jobs program	<u>35,000</u>	<u>-</u>
Total	<u>\$ 752,598</u>	<u>\$ 755,915</u>

Note #7 Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code.

The Organization evaluates its uncertain tax positions on an annual basis, and there have been no uncertain tax positions recorded in 2013 and 2012. Therefore, no provision or liability for income taxes has been included in the financial statements. The Organization files Federal and state non-profit tax returns. The Organization is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2010 and 2009, respectively.

Note #8 Retirement Plan

The Organization has a 401(k) retirement savings plan covering full-time employees who have been employed more than one year and who are at least 21 years old and not a part of the collectively bargained plan. The Organization contributes up to a 1.5% match of the employees' wages and makes a 4.5% non-elective contribution for a total of 6.0%. Total contributions to the plan were \$45,271 and \$54,594 for the years ended June 30, 2013 and 2012, respectively.

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note #9 Commitments

Operating Lease Obligation

The Organization has an operating lease for its facilities from the HACM. The Organization is responsible for the liability insurance, maintenance, utilities, and small repairs. The term of this lease is from September 1, 2006 through August 31, 2031, with an option to extend. Rent is \$1 annually during the term of the lease. As a condition of the lease, the Organization agreed to give primary consideration to the residents of the Housing Authority in regard to employment and services provided by the Organization. The fair value of the rental of the facility contributed by HACM is approximately \$275,000 and is included as in-kind revenue and expense in the accompanying financial statements for the year ended June 30, 2013 and 2012.

During the year ended June 30, 2013, the Organization subleased a portion of its facilities for annual rent of \$115,692.

Contingency

The Organization has a claim filed against it regarding an employment issue which they are rigorously defending, however the outcome is unknown. The claim could result with a material liability for the Organization.

SUPPLEMENTARY INFORMATION

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Schedule of Functional Expenses

(With the auditor's report of January 10, 2014)

For the year ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries and wages	\$ 1,328,033	\$ 184,383	\$ 104,398	\$ 1,616,814
Retirement	34,441	9,609	1,221	45,271
Employee benefits	109,292	21,338	2,629	133,259
Payroll taxes	174,289	19,874	3,398	197,561
Professional fees	193,113	44,920	1,177	239,210
Supplies	16,148	4,770	575	21,493
Telephone	7,398	2,235	344	9,977
Postage	5,616	307	145	6,068
Printing	14,143	363	3,448	17,954
Occupancy	417,291	10,838	225	428,354
Equipment rental and maintenance	8,166	1,109	1,785	11,060
Depreciation	105,194	7,680	147	113,021
Travel	54,922	5,083	410	60,415
Program expense	63,342	503	821	64,666
Food and beverage	60,148	2,960	173	63,281
Insurance	50,288	4,455	229	54,972
Advertising	11,462	590	473	12,525
Membership dues	976	1,043	-	2,019
Bus rental	26,092	-	-	26,092
Registration fees	38,365	306	626	39,297
Awards and prizes	12,699	919	200	13,818
In-kind expenses	16,238	-	4,226	20,464
Stipends	5,074	92	-	5,166
HUB purchases	520	-	-	520
Non-capital fixed asset purchases	5,065	556	-	5,621
Bad debt expense	50,245	-	-	50,245
Other expense	<u>3,297</u>	<u>641</u>	<u>-</u>	<u>3,938</u>
Total	\$ <u>2,811,857</u>	\$ <u>324,574</u>	\$ <u>126,650</u>	\$ <u>3,263,081</u>

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Schedule of Functional Expenses

(With the auditor's report of January 10, 2014)

For the year ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries and wages	\$ 1,585,829	\$ 216,260	\$ 114,222	\$ 1,916,311
Retirement	39,898	10,792	3,904	54,594
Employee benefits	114,523	33,799	11,711	160,033
Payroll taxes	152,689	17,629	9,719	180,037
Professional fees	157,387	28,659	15,967	202,013
Supplies	14,261	3,154	1,850	19,265
Telephone	5,904	2,046	1,384	9,334
Postage	3,080	665	4,526	8,271
Printing	1,541	376	17,343	19,260
Occupancy	128,774	11,445	867	141,086
Equipment rental and maintenance	10,356	1,175	1,969	13,500
Depreciation	103,460	10,297	652	114,409
Travel	58,620	6,912	708	66,240
Program expense	90,963	833	3,821	95,617
Food and beverage	60,863	2,473	4,592	67,928
Insurance	39,720	6,658	3,580	49,958
Advertising	10,589	-	600	11,189
Membership dues	16,276	1,315	935	18,526
Bus rental	16,972	-	-	16,972
Registration fees	42,038	387	1,243	43,668
Awards and prizes	6,623	2,002	-	8,625
In-kind expenses	276,020	27,200	34,626	337,846
Stipends	17,970	-	-	17,970
HUB purchases	2,643	-	-	2,643
Non-capital fixed asset purchases	1,089	-	-	1,089
Bad debt expense	2,823	-	-	2,823
Other expense	<u>695</u>	<u>909</u>	<u>665</u>	<u>2,269</u>
Total	\$ <u>2,961,606</u>	\$ <u>384,986</u>	\$ <u>234,884</u>	\$ <u>3,581,476</u>

SILVER SPRING NEIGHBORHOOD CENTER, INC.
Schedule of Expenditures of Federal and State Awards
 (With the auditor's report of January 10, 2014)
 For the year ended June 30, 2013

<u>Grantor/Program</u>	<u>Pass-Through</u>	<u>Identifying Number</u>	<u>Expenditures</u>
Federal Awards:			
U.S. Department of Agriculture:			
Child Care Food Program - Day Care Center	Wisconsin Department of Public Instruction	10.558	\$ <u>51,123</u>
Total U.S. Department of Agriculture			<u>51,123</u>
U.S. Department of Health and Human Services:			
Temporary Assistance for Needy Families (TANF) Cluster:			
ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	UMOS (Pass-Through #0500-0501)	93.714	186,683 *
ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	Wisconsin Department of Children and Families	93.714	<u>122,600</u> *
Total ARRA- Emergency Contingency Fund for TANF State Programs			<u>309,283</u>
Temporary Assistance for Needy Families	Wisconsin Department of Children and Family Services Milwaukee County	93.558	<u>368,313</u> *
Total TANF Cluster			<u>677,596</u>
Block Grants for Prevention and Treatment of Substance Abuse	Community Advocates	93.959	8,947
Block Grants for Prevention and Treatment of Substance Abuse	Jewish Family Services	93.959	<u>32,611</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>41,558</u>
Affordable Care Act (ACA) Personal Responsibility Education Program	Medical College of Wisconsin	93.092	<u>111,450</u>
Total U.S. Department of Health and Human Services			<u>830,604</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
Schedule of Expenditures of Federal and State Awards
 (With the auditor's report of January 10, 2014)
 For the year ended June 30, 2013

<u>Grantor/Program</u>	<u>Pass-Through</u>	<u>Identifying Number</u>	<u>Expenditures</u>
Federal Awards: (Cont'd)			
U.S. Department of Education:			
Community Learning Center at:			
Northwest Secondary	Wisconsin Department of Public Instruction, Milwaukee Public Schools	84.287	\$ 75,000
Browning	Wisconsin Department of Public Instruction, Milwaukee Public Schools	84.287	149,120
Thurston Woods	Wisconsin Department of Public Instruction, Milwaukee Public Schools	84.287	129,276
School of Career and Technical Assistance	Wisconsin Department of Public Instruction, Milwaukee Public Schools	84.287	<u>99,000</u>
Total Community Learning Center			<u>452,396</u>
Adult Education - Basic Grants to States	Wisconsin Technical College System	84.002	<u>51,085</u>
Total U.S. Department of Education			<u>503,481</u>
Total Federal Awards			\$ <u>1,385,208</u>
State Awards:			
Wisconsin Department of Health Services:			
Brighter Futures	Community Advocates (Pass-Through #435.541)	435.541	\$ <u>94,933</u>
Total State Awards			\$ <u>94,933</u>

* Denotes major program

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SILVER SPRING NEIGHBORHOOD CENTER, INC.
Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2013

Note #1 **Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Silver Spring Neighborhood Center, Inc. under programs of the federal and state government for the year ended June 30, 2013. The information in this schedule is presented in accordance with requirements of the Office and Management and Budget ("OMB") Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of Silver Spring Neighborhood Center, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of Silver Spring Neighborhood Center, Inc.

Note #2 **Basis of Accounting**

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity numbers are presented where available. Silver Spring Neighborhood Center, Inc. applies all Financial Accounting Standards Board pronouncements in accounting and reporting.

Note #3 **Other**

The Organization did not receive any federal insurance nor had any federal loans with continuing compliance. Also, the Organization did not provide funds to any subrecipients or received any non-cash assistance.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

January 10, 2014

To the Board of Directors
Silver Spring Neighborhood Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Silver Spring Neighborhood Center, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Silver Spring Neighborhood Center, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Silver Spring Neighborhood Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Silver Spring Neighborhood Center, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silver Spring Neighborhood Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Sikich LLP



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133**

January 10, 2014

To the Board of Directors
Silver Spring Neighborhood Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Silver Spring Neighborhood Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Silver Spring Neighborhood Center, Inc.'s major federal programs for the year ended June 30, 2013. Silver Spring Neighborhood Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Silver Spring Neighborhood Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Provider Agency Guide*, issued by the Wisconsin Department of Health Services, the Wisconsin Department of Corrections, and the Divisions of Economic Support and Vocational Rehabilitation within the Wisconsin Department of Workforce Development. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Silver Spring Neighborhood Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Silver Spring Neighborhood Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Silver Spring Neighborhood Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Silver Spring Neighborhood Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Silver Spring Neighborhood Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Silver Spring Neighborhood Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sikich LLP

Sikich LLP

SILVER SPRING NEIGHBORHOOD CENTER, INC.

Schedule of Findings and Questioned Costs

(With the auditor's report of January 10, 2014)

For the year ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency(ies) identified?

☐ Yes

☒ None reported

Noncompliance material to financial statements noted?

☐ Yes

☒ No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency(ies) identified?

☐ Yes

☒ No

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ Yes

☒ No

Identification of major federal programs:

CFDA Number Name of Federal Program or Cluster

93.558,93.714 TANF Cluster

Identification of major state programs:

None

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000

State \$100,000

Auditee qualified as a low-risk auditee? Yes

II. Financial Statement Findings

None

III. Findings and Questioned Costs for Federal Awards

None

IV. Prior Audit Findings

None

SILVER SPRING NEIGHBORHOOD CENTER, INC.
Schedule of Findings and Questioned Costs (Cont'd)
(With the auditor's report of January 10, 2014)
For the year ended June 30, 2013 2013

V. Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? Yes X No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the State of Wisconsin State Single Audit Guidelines:

Wisconsin Department of Health Services	<u> </u> Yes	<u>X</u> No
Wisconsin Department of Workforce Development	<u> </u> Yes	<u>X</u> N/A
Wisconsin Department of Corrections	<u> </u> Yes	<u>X</u> N/A
Wisconsin Department of Children and Families	<u> </u> Yes	<u>X</u> No

Was a management letter or other document conveying audit comments issued as a result of this audit? X Yes No

Name and Signature of Partner



Karen Doerner, CPA
January 10, 2014