



Minnesota Council of Nonprofits, Inc.
Consolidated Financial Statements
Years Ended
December 31, 2013 and 2012
(With Independent
Auditor's Report Thereon)



MINNESOTA COUNCIL OF NONPROFITS

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Council of Nonprofits, Inc.
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of the Minnesota Council of Nonprofits, Inc. and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 combined 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the combined 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Council of Nonprofits, Inc. as of December 31, 2013, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Minnesota Council of Nonprofits, Inc. as of December 31, 2012, were audited by other auditors whose report was dated May 8, 2013 and expressed an unmodified opinion on those consolidated financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 20 - 22 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 statements 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 taken as a whole.

Oliver Eick & Meyers, LLP

Edina, Minnesota
February 07, 2014

Minnesota Council of Nonprofits, Inc.
Consolidated Statement of Financial Position
December 31, 2013 and 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 642,989	\$ 881,888
Accounts receivable	48,997	66,192
Grants receivable, short-term	198,500	347,139
Inventory	23,368	28,255
Prepaid expenses	38,777	43,912
Total Current Assets	952,631	1,367,386
Investments	20,887	15,805
Property and Equipment		
Furniture, equipment and software	627,350	579,957
Accumulated depreciation	(430,877)	(365,746)
Total Property and Equipment	196,473	214,211
Other Noncurrent Assets		
Deferred tax asset, net of allowance	-	-
Security deposit	6,517	6,517
Unemployment funds held by others	31,962	22,435
Grants receivable, long-term	120,000	-
Intangible asset, net (Nonprofit Insurance Advisors Book of Business)	180,167	203,167
Total Other Noncurrent Assets	338,646	232,119
Total Assets	\$ 1,508,637	\$ 1,829,521

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Consolidated Statement of Financial Position (continued)
December 31, 2013 and 2012

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities		
Accounts payable	\$ 41,395	\$ 62,755
Accrued expenses	29,926	32,691
Line of credit	21,500	36,500
Deferred revenue	155,472	130,718
 Total Current Liabilities	 248,293	 262,664
 Net Assets		
Unrestricted		
Undesignated, available for general activities	255,152	204,654
Undesignated, Nonprofit Insurance Advisors	(202,908)	(130,219)
Invested in furniture, equipment and software	196,473	214,211
Board designated, operating reserve	343,780	332,947
Board designated, anti-racism award	10,000	10,000
 Total Unrestricted	 602,497	 631,593
Temporarily restricted	657,847	935,264
 Total Net Assets	 1,260,344	 1,566,857
 Total Liabilities and Net Assets	 \$ 1,508,637	 \$ 1,829,521

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Consolidated Statements of Activities
For the years ended December 31, 2013 and 2012

	For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Support						
Contributions	\$ 16,518	\$ -	\$ 16,518	\$ 15,319	\$ -	\$ 15,319
Grants	44,000	707,820	751,820	67,375	1,057,737	1,125,112
Total Support	60,518	707,820	768,338	82,694	1,057,737	1,140,431
Revenue						
Membership dues	641,803	-	641,803	613,625	-	613,625
Workshops and education	381,096	-	381,096	351,868	-	351,868
Annual conference	166,809	-	166,809	275,848	-	275,848
Publications	21,587	-	21,587	55,774	-	55,774
Honoraria and consulting	54,113	-	54,113	49,072	-	49,072
Sponsorships and marketing	284,131	-	284,131	224,344	-	224,344
Commissions - Nonprofit Insurance Advisors	136,111	-	136,111	121,208	-	121,208
Investment gains (losses)	6,153	-	6,153	2,859	-	2,859
Other revenue	13,823	-	13,823	19,597	-	19,597
Total Revenue	1,705,626	-	1,705,626	1,714,195	-	1,714,195
Net Assets Released from Restriction	985,237	(985,237)	-	1,435,729	(1,435,729)	-
Total Support and Revenue	\$ 2,751,381	\$ (277,417)	\$ 2,473,964	\$ 3,232,618	\$ (377,992)	\$ 2,854,626
Expenses						
Program Services:						
Education	747,562	-	747,562	937,437	-	937,437
Public policy & civic engagement	601,766	-	601,766	713,144	-	713,144
Member services	350,724	-	350,724	357,606	-	357,606
Research	282,133	-	282,133	287,164	-	287,164
Advocacy	149,743	-	149,743	218,241	-	218,241
Nonprofit Insurance Advisors	173,504	-	173,504	201,031	-	201,031
Total Program Services	2,305,432	-	2,305,432	2,714,623	-	2,714,623
Supporting Services:						
General and administrative	362,002	-	362,002	341,206	-	341,206
Fundraising	113,043	-	113,043	115,837	-	115,837
Total Supporting Services	475,045	-	475,045	457,043	-	457,043
Total Expenses	2,780,477	-	2,780,477	3,171,666	-	3,171,666
Change in Net Assets	\$ (29,096)	\$ (277,417)	\$ (306,513)	\$ 60,952	\$ (377,992)	\$ (317,040)
Net Assets, Beginning of Year	631,593	935,264	1,566,857	570,641	1,313,256	1,883,897
Net Assets, End of Year	\$ 602,497	\$ 657,847	\$ 1,260,344	\$ 631,593	\$ 935,264	\$ 1,566,857

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	For the Year Ended December 31, 2013									2012	
	Program Services						Supporting Services				
	Public Policy & Civic Engagement	Member Services	Research	Advocacy	Nonprofit Insurance Advisors	Total Program	Management & General	Fundraising	Total Expenses	Total Expenses	
Salaries	\$ 246,464	\$ 219,883	\$ 191,202	\$ 162,755	\$ 79,512	108,840	\$ 1,008,656	\$ 196,216	\$ 69,835	\$ 1,274,707	\$ 1,330,229
Payroll taxes	20,475	18,266	15,884	13,521	6,605	8,566	83,317	12,620	5,801	101,738	107,167
Employee benefits	47,096	42,017	36,536	31,100	15,194	6,640	178,583	37,494	13,345	229,422	233,993
Total Personnel Costs	314,035	280,166	243,622	207,376	101,311	124,046	1,270,556	246,330	88,981	1,605,867	1,671,389
Annual conference	66,185	-	-	-	-	-	66,185	-	-	66,185	108,422
Bad debt	-	-	-	-	-	398	398	-	-	398	-
Board retreat	-	-	-	-	-	-	-	7,861	-	7,861	7,083
Bank/merchant fees	12,942	387	6,591	286	140	-	20,346	345	2,208	22,899	21,401
Consultants	30,580	246,540	4,736	27,071	15,775	5,360	330,062	39,492	1,078	370,632	499,420
Dues and subscriptions	2,789	3,935	2,693	2,218	1,237	1,516	14,388	2,458	777	17,623	15,699
Equipment	1,594	1,531	1,199	1,011	531	-	5,866	1,227	444	7,537	17,585
Event translation	6,939	341	-	-	261	-	7,541	1,110	-	8,651	10,117
Grants and allocations	1,000	-	-	-	-	-	1,000	-	-	1,000	88,750
Insurance	-	-	-	-	-	4,427	4,427	4,892	-	9,319	9,434
Interest expense	-	-	-	-	-	1,666	1,666	54	-	1,720	1,692
Marketing	-	-	-	-	-	4,178	4,178	-	-	4,178	4,616
Meeting expense	9,818	5,289	4,700	2,239	3,513	648	26,207	4,921	597	31,725	59,600
Miscellaneous expense	-	2,412	-	125	116	-	2,653	180	55	2,888	5,235
Occupancy	25,187	22,470	19,539	16,632	8,125	-	91,953	20,052	7,137	119,142	116,573
Postage and shipping	11,865	844	15,276	343	578	105	29,011	1,762	1,189	31,962	41,189
Printing and publication	26,825	2,667	18,022	1,638	2,088	-	51,240	2,275	1,214	54,729	63,725
Professional development	941	972	1,665	814	421	-	4,813	856	244	5,913	10,359
Software and computers	14,477	14,273	11,427	9,618	5,300	5,170	60,265	10,907	3,946	75,118	75,627
Supplies	1,866	1,773	1,655	1,327	699	591	7,911	1,334	482	9,727	17,259
Telephone and internet	1,859	2,026	3,436	1,179	818	1,618	10,936	1,600	518	13,054	13,424
Travel	2,131	3,856	5,482	1,164	4,388	781	17,802	3,384	272	21,458	42,937
Workshop	202,760	-	-	-	-	-	202,760	-	-	202,760	182,291
Total Expenses before Depreciation	733,793	589,482	340,043	273,041	145,301	150,504	2,232,164	351,040	109,142	2,692,346	3,083,827
Depreciation	13,769	12,284	10,681	9,092	4,442	23,000	73,268	10,962	3,901	88,131	87,839
Total Expenses	\$ 747,562	\$ 601,766	\$ 350,724	\$ 282,133	\$ 149,743	\$ 173,504	\$ 2,305,432	\$ 362,002	\$ 113,043	\$ 2,780,477	\$ 3,171,666

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012

For the Year Ended December 31, 2012

	Program Services						Supporting Services			Total Expenses
	Education	Public Policy & Civic Engagement	Member Services	Research	Advocacy	Nonprofit Insurance Advisors	Total Program	Management & General	Fundraising	
Salaries	\$257,577	\$247,347	\$193,762	\$163,315	\$85,859	\$112,371	\$1,060,230	\$ 198,267	\$71,732	\$1,330,229
Payroll taxes	20,751	19,927	15,610	13,157	6,917	9,053	85,415	15,973	5,779	107,167
Employee benefits	45,309	43,509	34,083	28,728	15,103	19,766	186,499	34,876	12,618	233,993
Total Personnel Costs	323,637	310,783	243,455	205,200	107,879	141,190	1,332,144	249,116	90,129	1,671,389
Annual conference	108,422	-	-	-	-	-	108,422	-	-	108,422
Board retreat	-	-	-	-	-	-	-	7,083	-	7,083
Bank/merchant fees	12,841	-	6,420	-	-	-	19,261	-	2,140	21,401
Consultants	134,633	229,577	6,914	28,964	74,792	6,558	481,438	16,926	1,056	499,420
Dues and subscriptions	2,753	3,723	2,677	2,155	1,302	-	12,610	2,322	767	15,699
Equipment	3,719	3,571	2,798	2,358	1,240	-	13,686	2,863	1,036	17,585
Event translation	9,019	300	-	-	230	-	9,549	568	-	10,117
Grants and allocations	1,000	87,750	-	-	-	-	88,750	-	-	88,750
Insurance	-	-	-	-	-	5,078	5,078	4,356	-	9,434
Interest expense	-	-	-	-	-	1,601	1,601	91	-	1,692
Marketing	-	125	-	50	125	4,066	4,366	250	-	4,616
Meeting expense	33,735	7,248	5,713	2,689	4,088	423	53,896	5,124	580	59,600
Miscellaneous expense	2,935	348	271	230	210	891	4,885	251	99	5,235
Occupancy	22,864	21,956	17,199	14,496	7,621	8,471	92,607	17,599	6,367	116,573
Postage and shipping	20,424	2,880	14,456	247	160	235	38,402	1,603	1,184	41,189
Printing and publication	34,260	4,383	18,322	2,169	1,369	270	60,773	2,270	682	63,725
Professional development	2,001	1,449	2,065	1,554	806	390	8,265	935	1,159	10,359
Software and computers	14,100	13,715	14,459	9,291	4,876	4,406	60,847	10,853	3,927	75,627
Supplies	4,388	2,203	2,163	4,379	774	1,016	14,923	1,731	605	17,259
Telephone and internet	1,936	3,025	2,706	1,296	1,150	1,249	11,362	1,552	510	13,424
Travel	8,828	6,876	7,672	3,391	7,048	2,187	36,002	5,158	1,777	42,937
Workshop	182,228	63	-	-	-	-	182,291	-	-	182,291
Total Expenses before Depreciation	923,723	699,975	347,290	278,469	213,670	178,031	2,641,158	330,651	112,018	3,083,827
Depreciation	13,714	13,169	10,316	8,695	4,571	23,000	73,465	10,555	3,819	87,839
Total Expenses	<u>\$937,437</u>	<u>\$713,144</u>	<u>\$357,606</u>	<u>\$287,164</u>	<u>\$218,241</u>	<u>\$201,031</u>	<u>\$2,714,623</u>	<u>\$ 341,206</u>	<u>\$115,837</u>	<u>\$3,171,666</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Consolidated Statement of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (306,513)	\$ (317,040)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	88,131	87,839
Net realized and unrealized investment loss (gain)	(5,082)	(1,312)
Deferred tax asset	-	-
(Increase) decrease in assets:		
Accounts receivable	16,820	(47,034)
Pledges receivable	29,014	450,812
Inventory	4,887	(16,885)
Prepaid expenses and other current assets	5,135	(14,012)
Unemployment funds held by others	(9,527)	-
Increase (decrease) in liabilities:		
Accounts payable	(21,360)	26,649
Accrued liabilities	12	(738)
Accrued payroll expenses	(2,777)	-
Deferred revenue	24,754	50,098
Cash Provided by (Used for) Operating Activities	(176,506)	218,377
Cash Flows from Investing Activities		
Purchases of property and equipment	(47,393)	(4,545)
Purchase of book of business	-	(100,000)
Cash Used for Investing Activities	(47,393)	(104,545)
Cash Flows from Financing Activities		
Borrowings on line of credit	41,629	84,000
Payments on line of credit	(56,629)	(77,000)
Cash Provided by (Used for) Financing Activities	(15,000)	7,000
Net Increase (Decrease) in Cash	(238,899)	120,832
Cash at Beginning of Period	881,888	761,056
Cash at End of Period	\$ 642,989	\$ 881,888
Cash Paid for Interest	\$ 1,720	\$ 1,692

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Minnesota Council of Nonprofits, Inc. (MCN) is incorporated under the Minnesota Nonprofit Corporation Act. MCN offers educational, public policy, research and advocacy to help organizations be more efficient and effective and to increase public understanding of the role and contributions of Minnesota's nonprofit organizations.

MCN's program services are as follows:

Education – Convenes workshops, conferences and meetings for nonprofit organizations on topics related to managing nonprofit organizations. Publishes directories and maintains a website (www.minnesotanonprofits.org) to provide guidance and additional information on issues faced by nonprofit organizations and their staff and board members.

Public Policy and Civic Engagement – Sponsors briefings on public policies which affect nonprofit organizations and the communities they serve; conducts skill-building workshops for nonprofit staff, board members and volunteers to strengthen their public policy work; undertakes nonpartisan voter participation efforts on behalf of nonprofit clients and community members in Minnesota through Minnesota Participation Project and over five other states through Nonprofit Voter Engagement Network; and provides up-to-date information during the legislative session via newsletters and the internet.

Member Services – Sponsors services to member nonprofit organizations to strengthen the stability and effectiveness of these nonprofit organizations. Services include group purchasing and discounts on products like insurance and supplies as well as events and newsletters planned and organized for members.

Research – Conducts nonpartisan research and prepares reports on the nonprofit economy and public role on nonprofit organizations. Analyzes public policies affecting the nonprofit sector, including the impact of budget and tax policies on low-income people.

Advocacy – Undertakes direct and grassroots lobbying campaigns that address specific legislative proposals affecting nonprofit organizations and the communities they serve. MCN has elected to report its expenditures for lobbying in accordance with Section 501(h) of the Internal Revenue Code.

Nonprofit Insurance Advisors (NIA) is incorporated under the Minnesota Nonprofit Corporation Act and is a taxable subsidiary of Minnesota Council of Nonprofits. NIA was incorporated on September 19, 2011, and started operations on November 1, 2011. NIA services the insurance needs of nonprofit organizations by identifying and brokering appropriate and cost-effective insurance coverage.

Principles of Consolidation

The consolidated financial statements include the accounts of Minnesota Council of Nonprofits and Nonprofit Insurance Advisors (the Organization). Nonprofit Insurance Advisors is a wholly owned subsidiary in which Minnesota Council of Nonprofits is the only member. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, 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:

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Unrestricted Net Assets – Those resources subject to the discretionary control of the board of directors.

Temporarily Restricted Net Assets - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently Restricted Net Assets - Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law.

Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect on balances outstanding at period end. The Organization uses the allowance method to account for uncollectible receivables. This method provides allowances for doubtful receivables based on historical experience and management's evaluation of estimated losses that will be incurred in the collection of receivables. No allowance was deemed necessary for the years ended December 31, 2013 and 2012.

Inventories

Inventories are stated at lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis.

Property and Equipment

Equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 9 years). Generally, acquisitions of equipment of \$1,000 or more are capitalized.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recognized in the period received.

In-Kind Contributions

The Organization reports gifts of non-cash assets 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 or other assets that must be used to acquire long-lived assets are reported as restricted support. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
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Donated Services

Non-cash donations are reflected as unrestricted support in the financial statements at their estimated values on the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills and are performed by people with those skills and (c) would otherwise be purchased by the organization.

The Organization has a large and dedicated team of volunteers who perform a variety of tasks that assist the Organization with specific programs and supporting services. These services are not recognized in the financial statements since the criteria for recording the services were not met.

Use of Estimates

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

Allocation of Functional Expenses

Salaries and related expenses are allocated based on job descriptions and management estimates. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service, are allocated based on management estimates.

Reclassification

Certain accounts in the December 31, 2012 financial statements have been reclassified for comparative purposes to conform to the presentation in the current-period financial statements. These reclassifications had no effect on the previously reported results of operations or net assets.

Tax Status

MCN is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Because the Organization is a public charity, contributions to it may be deductible for tax purposes.

Nonprofit Insurance Advisors is a for-profit entity that files its own corporate federal and Minnesota income tax returns.

Credit Risk

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

NOTE 2 – NONPROFIT INSURANCE ADVISORS

Nonprofit Insurance Advisors (NIA) is a commercial program that aligns with MCN's charitable mission to help nonprofit organizations be more efficient and effective. NIA's 461 clients, with an average policy cost of \$1,525, represent a generally underserved and low priority segment for traditional insurance agencies. These nonprofits have substantial needs for consultation and support regarding insurance. Nonprofit Insurance Advisors was created by MCN to help these small and mid-sized nonprofit organizations purchase insurance and manage their risks.

As stated above, NIA's main goal is to address the insurance needs of nonprofit organizations, not to be a major source of income for MCN. Not unexpectedly, NIA had a loss of \$72,688 for year ended December 31, 2013. The NIA loss represents approximately 2.5% of MCN's overall expenses. Excluding this loss and the

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

2013 potential bad debt reserve expense Minnesota Council of Nonprofit's 2013 unrestricted activities produced a net surplus of income over expenses of \$43,593.

NOTE 3 – UNEMPLOYMENT FUND

The Organization has elected to opt out of participation in the Minnesota Unemployment Insurance Program. The Organization is self- insured for unemployment claims through Unemployment Services Trust (UST). Payments to UST are accumulated and used to pay future claims. An expense is recorded as claims are paid by UST. The Organization believes there is no significant liability for claims incurred but not reported at December 31, 2013 or 2012. The Organization could be required to make additional payments if claims exceeded the accumulated contributions.

NOTE 4 – GRANTS RECEIVABLE

The balance of grants receivable are due on December 31, 2013 and 2012 as follows:

	2013	2012
Less than one year	\$ 198,500	\$ 347,139
One to five years	<u>120,000</u>	<u>-</u>
Net grants receivable	\$ 318,500	\$ 347,139

Management has not established a discount for present value of the long-term grant receivable as the discount is immaterial. No allowance for uncollectible pledges is deemed necessary by management as the entire amount is due from one funder with which MCN has had considerable experience. The entire amount is deemed collectible.

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in a active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

The Organization's investments consisted entirely of Level 1 inputs and are reported at fair value in the accompanying statement of financial position:

	Level 1
December 31, 2013:	
Equity funds	\$ 20,887
December 31, 2012:	
Equity funds	\$ 15,805

An unrealized gain of \$5,081 and \$1,311 was recognized during the years ended December 31, 2013 and 2012, respectively.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Book of business – Nonprofit Insurance Advisors	\$ 230,000	\$ 230,000
Less accumulated amortization	<u>(49,833)</u>	<u>(26,833)</u>
Book of business, net	\$ 180,167	\$ 203,167

Amortization expense for each of the years ended December 31, 2013 and 2012 was \$23,000. Estimated future amortization expense related to this intangible asset is as follow:

<u>Years Ending December 31,</u>	<u>Amount</u>
2014	\$ 23,000
2015	23,000
2016	23,000
2017	23,000
Thereafter	<u>88,167</u>
	\$ 180,167

NOTE 7 – LINE OF CREDIT

On June 6, 2012, MCN entered into a revolving line of credit with Bremer Bank. The agreement provides for available borrowings of \$100,000. The agreement was renewed on May 30, 2013 and matures on May 29, 2014. Borrowings under the line of credit bear interest at 4.25%. Borrowings are collateralized by all inventory, chattel paper, accounts, equipment and general intangibles. There was no outstanding balance on the line as of December 31, 2013 or 2012.

On October 5, 2012, NIA entered into a revolving line of credit with Bremer Bank. The agreement provides for available borrowings of \$100,000. The agreement was renewed on May 30, 2013 and matures on May 29, 2014. Borrowings under the line of credit bear interest at 4.25%. Borrowings are collateralized by all inventory, chattel paper, accounts, equipment and general intangibles. Amounts outstanding on the line totaled \$21,500 and \$36,500 as of December 31, 2013 and 2012, respectively.

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

NOTE 8 – INCOME TAXES

Minnesota Council of Nonprofits, Inc. files informational returns in the United States federal jurisdiction and in the Minnesota state jurisdiction. In addition, MCN files tax returns in relation to their unrelated business income. As a wholly-owned, for-profit subsidiary, Nonprofit Insurance Advisors files separate income tax returns in the United States federal jurisdiction and in the state of Minnesota. All returns the Organization filed prior to fiscal year 2010 are closed. No returns of either entity are currently under examination in any tax jurisdiction.

As of December 31, 2013 and 2012, there were no amounts of income tax related accrued interest or penalties recognized in either the balance sheet or statement of activities for Nonprofit Insurance Advisors.

Income taxes are provided for the tax effects of unrelated business transactions for MCN and all activity of Nonprofit Insurance Advisors reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, measured by enacted tax rates for years in which taxes are expected to be paid or recovered. Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on available evidence.

At December 31, 2013, there were \$16,690 of deferred taxes reported.

The following income tax related assets (liabilities) were included in the financial statements as of December 31, 2013:

Long-term deferred tax asset (liability)		
Depreciation	\$	5,990
NOL carryforwards		<u>10,700</u>
		16,690
Valuation allowance		<u>(16,690)</u>
Total deferred tax asset	\$	-

Income tax expense (benefit) consisted of the following at December 31, 2013:

Current:		
Federal	\$	-
State		-
Deferred:		
Federal		(12,790)
State		<u>(3,900)</u>
Total income tax expense (benefit)	\$	(16,690)

The net operating loss (NOL) carryforwards expire at varying times through 2032.

NOTE 9 – LEASES

The Organization leases office space under an operating lease, which expires January 31, 2015. The agreement calls for monthly lease payments of \$9,064, which includes utilities, real estate taxes and insurance. Rent expense was \$119,142 and \$108,102 for the years ended December 31, 2013 and 2012.

The Organization also has several non-cancelable operating equipment leases that expire at various dates through 2016.

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

In 2007, the Organization began a non-cancelable three-year lease for capitalized internet software that expired in November 2010. The lease was renewed on August 14, 2013 with the same terms, and the lease agreement will remain in effect until the Organization terminates the contract at least 60 days prior to the end of the renewal term. The lease will expire on July 12, 2016.

Future minimum lease payments as of December 31, are as follows:

Years Ending December 31,	Amount
2014	\$ 134,858
2015	58,750
2016	28,114
Total	\$ 221,722

NOTE 10 – RESTRICTED NET ASSETS

MCN had the following temporarily restricted net assets:

Temporarily Restricted	December 31, 2013	December 31, 2012
Minnesota Budget Project	\$ 68,500	\$ 490,000
Public Policy	555,000	177,500
Nonprofit Voter Engagement Network	-	142,789
Technology Upgrade/Web Upgrades	27,147	70,000
Emerging Nonprofit Partners	7,200	-
Native American Nonprofit Economy Report	-	14,975
Principles and Practices	-	10,000
General Operations: Future Years	-	30,000
Total Temporarily Restricted	\$ 657,847	\$ 935,264

Net assets were released by incurring expenses satisfying the restricted purposes specified by donors for the years ended December 31, 2013 and 2012 as follows:

	December 31, 2013	December 31, 2012
Minnesota Budget Project	\$ 404,000	\$ 425,750
Public Policy	210,000	280,000
Minnesota Participation Project	110,000	121,500
Nonprofit Voter Engagement Network	142,789	275,109
Technology and Web Upgrades	42,853	-
Native American Nonprofit Economy Report	18,095	19,953
Ordinary People, Extraordinary Journey Book	17,500	-
Principles and Practices	10,000	-
Performance Management Institute	-	163,517
Impact Initiative	-	120,000
Management Trainings for Nonprofits	-	18,400
Northeast Chapter	-	4,000
Central Chapter	-	2,500
General Operations	30,000	5,000
Total Released Net Assets	\$ 985,237	\$ 1,435,729

Minnesota Council of Nonprofits, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

NOTE 11 – DEFERRED REVENUE

The Organization solicits and receives sponsorship and advertising revenue related to planned future events. These amounts are recorded as deferred revenue until the event takes place. The Organization receives membership dues that are recorded as deferred revenue until the membership period begins.

NOTE 12 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan covering all eligible employees. The contribution is at the discretion of the board of directors. Employees are eligible to participate in the plan after one month of service. Contributions to the plan were \$65,193 and \$65,234 for the years ended December 31, 2013 and 2012, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 07, 2014 which is the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

Minnesota Council of Nonprofits, Inc.
Consolidating Statement of Financial Position
For the Year Ended December 31, 2013

	ASSETS			
	<u>MCN</u>	<u>NIA</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 642,307	\$ 682	\$ -	\$ 642,989
Accounts receivable	45,558	3,439	-	48,997
Grants receivable, short-term	198,500	-	-	198,500
Notes receivable, intercompany, short-term	50,133	-	(50,133)	-
Inventory	23,368	-	-	23,368
Prepaid expenses	36,384	2,393	-	38,777
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	996,250	6,514	(50,133)	952,631
Investments	20,887	-	-	20,887
Property and Equipment				
Furniture, equipment and software	627,350	-	-	627,350
Accumulated depreciation	(430,877)	-	-	(430,877)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Property and Equipment	196,473	-	-	196,473
Other Noncurrent Assets				
Deferred tax asset, net of allowance	-	-	-	-
Security deposit	6,517	-	-	6,517
Unemployment funds held by others	31,962	-	-	31,962
Grants receivable, long-term	120,000	-	-	120,000
Notes receivables, intercompany, long-term	181,973	-	(181,973)	-
Investment in Nonprofit Insurance Advisors	(202,908)	-	202,908	-
Intangible asset, net (Nonprofit Insurance Advisors Book of Business)	-	180,167	-	180,167
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Noncurrent Assets	137,544	180,167	20,935	338,646
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,351,154</u>	<u>\$ 186,681</u>	<u>\$ (29,198)</u>	<u>\$ 1,508,637</u>

Minnesota Council of Nonprofits, Inc.
Consolidating Statement of Financial Position (continued)
For the Year Ended December 31, 2013

LIABILITIES AND NET ASSETS

	<u>MCN</u>	<u>NIA</u>	<u>Eliminations</u>	<u>Total</u>
Current Liabilities				
Accounts payable	\$ 37,585	\$ 3,810	\$ -	\$ 41,395
Accrued expenses	23,096	6,830	-	29,926
Line of credit	-	21,500	-	21,500
Notes payable	-	18,310	(18,310)	-
Due to MCN	-	157,166	(157,166)	-
Deferred revenue	155,472	-	-	155,472
	<u>216,153</u>	<u>207,616</u>	<u>(175,476)</u>	<u>248,293</u>
Other Liabilities				
Note payable to MCN	-	181,973	(181,973)	-
	<u>216,153</u>	<u>389,589</u>	<u>(357,449)</u>	<u>248,293</u>
Net Assets				
Unrestricted				
Available for general activities	129,809	-	125,343	255,152
NIA equity (accumulated deficit)	(202,908)	(202,908)	202,908	(202,908)
Invested in furniture, equipment & software	196,473	-	-	196,473
Board designated:				
Operating Reserve	343,780	-	-	343,780
Anti-Racism Award	10,000	-	-	10,000
	<u>477,154</u>	<u>(202,908)</u>	<u>328,251</u>	<u>602,497</u>
Temporarily restricted	<u>657,847</u>	<u>-</u>	<u>-</u>	<u>657,847</u>
	<u>1,135,001</u>	<u>(202,908)</u>	<u>328,251</u>	<u>1,260,344</u>
Total Liabilities and Net Assets	<u>\$ 1,351,154</u>	<u>\$ 186,681</u>	<u>\$ (29,198)</u>	<u>\$ 1,508,637</u>

Minnesota Council of Nonprofits, Inc.
Consolidating Statement of Activities
For the year ended December 31, 2013

	2013			Total
	MCN	NIA	Elim	
Support and Revenues - Unrestricted				
Support				
Contributions	\$ 16,518	\$ -	\$ -	\$ 16,518
Grants	44,000	-	-	44,000
Net assets released from restriction	985,237	-	-	985,237
Total Support	<u>1,045,755</u>	-	-	<u>1,045,755</u>
Revenue				
Membership dues	641,803	-	-	641,803
Workshops and education	381,096	-	-	381,096
Annual conference	166,809	-	-	166,809
Publications	21,587	-	-	21,587
Honoraria and consulting	54,113	-	-	54,113
Sponsorships and marketing	284,131	-	-	284,131
Commissions	-	136,111	-	136,111
Investment gains (losses)	17,873	-	(11,720)	6,153
Other revenue	13,398	425	-	13,823
Equity in loss of Nonprofit Insurance Advisors	(72,688)	-	72,688	-
Total Revenue	<u>1,508,122</u>	<u>136,536</u>	<u>60,968</u>	<u>1,705,626</u>
Total Support and Revenue	<u>2,553,877</u>	<u>136,536</u>	<u>60,968</u>	<u>2,751,381</u>
Expenses				
Program Services:				
Education	747,562	-	-	747,562
Public policy & civic engagement	601,766	-	-	601,766
Member services	350,724	-	-	350,724
Research	282,133	-	-	282,133
Advocacy	149,743	-	-	149,743
Nonprofit Insurance Advisors	9,461	209,225	(45,182)	173,504
Total Program Services	<u>2,141,389</u>	<u>209,225</u>	<u>(45,182)</u>	<u>2,305,432</u>
Supporting Services:				
General and administrative	362,002	-	-	362,002
Fundraising	113,043	-	-	113,043
Total Supporting Services	<u>475,045</u>	-	-	<u>475,045</u>
Total Expenses	<u>2,616,434</u>	<u>209,225</u>	<u>(45,182)</u>	<u>2,780,477</u>
Change in Unrestricted Net Assets	(62,557)	(72,689)	106,150	(29,096)

Minnesota Council of Nonprofits, Inc.
Consolidating Statement of Activities (continued)
For the year ended December 31, 2013

	2013			Total
	MCN	NIA	Elim	
Support - Temporarily Restricted				
Grants	707,820	-	-	707,820
Net assets released from restriction	(985,237)			(985,237)
Change in Temporarily Restricted Net Assets	<u>(277,417)</u>	<u>-</u>	<u>-</u>	<u>(277,417)</u>
Total Change in Net Assets	(339,974)	(72,689)	106,150	(306,513)
Net Assets, Beginning of Year	1,474,975	(130,219)	222,101	1,566,857
Net Assets, End of Year	<u>\$1,135,001</u>	<u>\$(202,908)</u>	<u>\$328,251</u>	<u>\$ 1,260,344</u>