

Financial Statements

Minnesota Council of Nonprofits, Inc.

St. Paul, Minnesota

For the Years Ended
December 31, 2017 and 2016

Minnesota Council of Nonprofits, Inc.
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December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Minnesota Council of Nonprofits, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the 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 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 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 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 Minnesota Council of Nonprofits, Inc. as of December 31, 2017 and 2016, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 18, 2018

FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>(Consolidated)</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,393,390	\$ 1,669,136
Accounts receivable	53,141	28,701
Grants receivable, short-term	446,448	645,623
Inventory	8,954	31,571
Prepaid expenses	65,727	42,329
Total Current Assets	<u>1,967,660</u>	<u>2,417,360</u>
Investments	<u>32,693</u>	<u>26,872</u>
Property and Equipment		
Leasehold improvements	517,594	-
Furniture, equipment and software	673,560	697,079
Accumulated depreciation	(622,989)	(575,120)
Total Property and Equipment, Net	<u>568,165</u>	<u>121,959</u>
Noncurrent Assets		
Security deposit	6,517	6,517
Unemployment funds held by others	49,693	43,659
Grants receivable, long-term	100,000	220,000
Total Noncurrent Assets	<u>156,210</u>	<u>270,176</u>
Total Assets	<u>\$ 2,724,728</u>	<u>\$ 2,836,367</u>

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

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position (Continued)
 December 31, 2017 and 2016

	2017	2016 (Consolidated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 53,422	\$ 52,569
Accrued expenses	92,759	72,686
Deferred revenue	162,404	151,366
Total Liabilities	308,585	276,621
Net Assets		
Unrestricted		
Undesignated, available for general activities	382,799	413,848
Invested in furniture, equipment and software	568,165	121,960
Board designated, operating reserve	346,682	296,491
Board designated, anti-racism award	10,000	10,000
Board designated, Nonprofit Center Growth and Expansion	50,000	100,000
Total Unrestricted	1,357,646	942,299
Temporarily restricted	1,058,497	1,617,447
Total Net Assets	2,416,143	2,559,746
Total Liabilities and Net Assets	\$ 2,724,728	\$ 2,836,367

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

Minnesota Council of Nonprofits, Inc.
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Contributions	\$ 13,290	\$ -	\$ 13,290
In-kind contributions	10,995	-	10,995
Grants	68,000	1,161,423	1,229,423
Total Support	<u>92,285</u>	<u>1,161,423</u>	<u>1,253,708</u>
Revenue			
Membership dues	846,085	-	846,085
Workshops and conference	577,846	-	577,846
Annual conference	254,249	-	254,249
Publications	33,189	-	33,189
VISTA cost-share	52,824	-	52,824
Honoraria and consulting	3,130	-	3,130
Sponsorships and marketing	321,917	-	321,917
Investment gains (losses)	6,935	-	6,935
Other revenue	2,189	-	2,189
Total Revenue	<u>2,098,364</u>	<u>-</u>	<u>2,098,364</u>
Net Assets Released From Restrictions			
Restrictions satisfied by meeting donor restrictions	<u>1,720,373</u>	<u>(1,720,373)</u>	<u>-</u>
Total Support and Revenue	<u>3,911,022</u>	<u>(558,950)</u>	<u>3,352,072</u>
Expenses			
Program Services			
Education	1,138,394	-	1,138,394
Public policy and civic engagement	310,038	-	310,038
Member services	550,253	-	550,253
VISTA	292,211	-	292,211
Research	298,775	-	298,775
Advocacy	190,075	-	190,075
Total Program Services Expenses	<u>2,779,746</u>	<u>-</u>	<u>2,779,746</u>
Supporting Services			
Management and general	555,400	-	555,400
Fundraising	160,529	-	160,529
Total Supporting Services Expenses	<u>715,929</u>	<u>-</u>	<u>715,929</u>
Total Expenses	<u>3,495,675</u>	<u>-</u>	<u>3,495,675</u>
Change In Net Assets	415,347	(558,950)	(143,603)
Net Assets, Beginning of the Year	<u>942,299</u>	<u>1,617,447</u>	<u>2,559,746</u>
Net Assets, End of the Year	<u>\$ 1,357,646</u>	<u>\$ 1,058,497</u>	<u>\$ 2,416,143</u>

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

Minnesota Council of Nonprofits, Inc.
Statement of Activities
For the Year Ended December 31, 2016 (Consolidated)

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Contributions	\$ 10,282	\$ -	\$ 10,282
In-kind contributions	7,600	-	7,600
Grants	66,000	1,891,420	1,957,420
Total Support	<u>83,882</u>	<u>1,891,420</u>	<u>1,975,302</u>
Revenue			
Membership dues	790,750	-	790,750
Workshops and conference	508,589	-	508,589
Annual conference	177,010	-	177,010
Publications	54,712	-	54,712
VISTA cost-share	43,895	-	43,895
Honoraria and consulting	12,150	-	12,150
Sponsorships and marketing	336,016	-	336,016
Commissions - Nonprofit Insurance Advisors	3,081	-	3,081
Investment gains (losses)	3,839	-	3,839
Other revenue	16,241	-	16,241
Total Revenue	<u>1,946,283</u>	<u>-</u>	<u>1,946,283</u>
Net Assets Released From Restrictions			
Restrictions satisfied by meeting donor restrictions	1,059,241	(1,059,241)	-
Total Support and Revenue	<u>3,089,406</u>	<u>832,179</u>	<u>3,921,585</u>
Expenses			
Program Services			
Education	925,630	-	925,630
Public policy and civic engagement	296,036	-	296,036
Member services	461,337	-	461,337
VISTA	188,527	-	188,527
Research	322,503	-	322,503
Advocacy	171,253	-	171,253
Nonprofit Insurance Advisors	15,045	-	15,045
Total Program Services Expenses	<u>2,380,331</u>	<u>-</u>	<u>2,380,331</u>
Supporting Services			
Management and general	432,410	-	432,410
Fundraising	150,629	-	150,629
Total Supporting Services Expenses	<u>583,039</u>	<u>-</u>	<u>583,039</u>
Total Expenses	<u>2,963,370</u>	<u>-</u>	<u>2,963,370</u>
Change In Net Assets	126,036	832,179	958,215
Net Assets, Beginning of the Year	<u>816,263</u>	<u>785,268</u>	<u>1,601,531</u>
Net Assets, End of the Year	<u>\$ 942,299</u>	<u>\$ 1,617,447</u>	<u>\$ 2,559,746</u>

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

Minnesota Council of Nonprofits, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services				Program Services			Supporting Services		
	Education	Public Policy and Civic Engagement	Member Services	VISTA	Research	Advocacy	Total Program	Management and General	Fundraising	Total Expenses
Personnel Expenses										
Salaries	\$ 373,282	\$ 177,322	\$ 248,231	\$ 57,273	\$ 174,553	\$ 108,646	\$ 1,139,307	\$ 288,000	\$ 99,005	\$ 1,526,312
Employee benefits	65,166	28,895	43,335	10,345	30,473	18,967	197,181	44,783	17,283	259,247
Payroll taxes	28,131	11,007	18,707	4,316	13,155	8,188	83,504	17,481	7,461	108,446
Total Personnel Expenses	466,579	217,224	310,273	71,934	218,181	135,801	1,419,992	350,264	123,749	1,894,005
Expenses										
Annual conference	137,418	-	-	-	-	-	137,418	-	-	137,418
Bad debt	-	-	-	-	-	-	-	2,555	-	2,555
Bank/merchant fees	6,689	2,618	4,449	2,090	3,127	1,945	20,918	4,908	1,536	27,362
Board retreat	-	-	-	-	-	-	-	8,305	-	8,305
Consultants	23,142	18,456	25,921	1,187	8,614	4,768	82,088	93,588	1,679	177,355
Dues and subscriptions	4,564	2,060	2,985	685	2,217	1,468	13,979	3,126	1,304	18,409
Equipment	38,930	13,267	22,546	5,201	15,848	9,860	105,652	21,074	7,355	134,081
ADA accommodations	4,861	480	-	-	-	-	5,341	-	-	5,341
Grants and allocations	-	-	41,500	-	-	-	41,500	-	-	41,500
Insurance	1,567	613	1,042	240	733	456	4,651	1,244	340	6,235
Marketing	891	6,635	146	421	235	121	8,449	41	14	8,504
Meeting expense	3,616	5,254	7,283	397	2,098	2,782	21,430	5,778	865	28,073
Miscellaneous expense	45	18	-	-	21	13	97	1,123	9	1,229
Occupancy	51,395	20,112	36,297	7,884	24,025	14,947	154,660	31,948	11,152	197,760
Postage and shipping	16,604	490	18,704	113	104	469	36,484	1,140	327	37,951
Printing and publication	30,519	2,058	19,420	427	1,405	1,240	55,069	1,947	604	57,620
Professional development	4,771	975	958	117	874	898	8,593	552	186	9,331
Software	18,181	6,880	11,839	2,587	8,057	4,991	52,535	10,718	5,224	68,477
Supplies	3,473	1,281	4,351	483	1,509	955	12,052	2,542	682	15,276
Telephone and internet	1,530	708	4,533	232	740	506	8,249	1,043	328	9,620
Travel	4,002	3,570	13,791	190	2,220	3,401	27,174	1,846	1,106	30,126
VISTA	19	-	-	195,146	-	-	195,165	-	-	195,165
Workshop and conference	300,844	-	11,743	-	-	-	312,587	-	-	312,587
Total Expenses Before Depreciation	1,119,640	302,699	537,781	289,334	290,008	184,621	2,724,083	543,742	156,460	3,424,285
Depreciation	18,754	7,339	12,472	2,877	8,767	5,454	55,663	11,658	4,069	71,390
Total Expenses	\$ 1,138,394	\$ 310,038	\$ 550,253	\$ 292,211	\$ 298,775	\$ 190,075	\$ 2,779,746	\$ 555,400	\$ 160,529	\$ 3,495,675

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

Minnesota Council of Nonprofits, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016 (Consolidated)

	Program Services				Program Services			Supporting Services			Total Expenses
	Education	Public Policy and Civic Engagement	Member Services	VISTA	Research	Advocacy	Nonprofit Insurance Advisors	Total Program	Management and General	Fundraising	
Personnel Expenses											
Salaries	\$ 313,631	\$ 160,434	\$ 213,548	\$ 46,833	\$ 187,878	\$ 95,305	\$ 6,964	\$ 1,024,593	\$ 259,288	\$ 81,514	\$ 1,365,395
Employee benefits	55,565	28,424	37,833	8,297	33,285	16,885	1,234	181,523	45,937	14,441	241,901
Payroll taxes	22,177	11,344	15,100	3,312	13,285	6,739	492	72,449	18,334	5,764	96,547
Total Personnel Expenses	391,373	200,202	266,481	58,442	234,448	118,929	8,690	1,278,565	323,559	101,719	1,703,843
Expenses											
Annual conference	72,884	-	-	-	-	-	-	72,884	-	74	72,958
Bad debt	30	-	-	2,890	-	-	-	2,920	2,733	-	5,653
Bank/merchant fees	5,607	2,868	3,818	1,478	3,358	1,703	309	19,141	4,447	1,569	25,157
Board retreat	-	-	-	-	-	-	-	-	7,978	-	7,978
Consultants	21,013	33,165	32,574	1,101	34,243	16,883	4,307	143,286	24,777	23,794	191,857
Dues and subscriptions	4,075	2,723	2,983	575	2,639	1,924	85	15,004	3,288	1,095	19,387
Equipment	1,088	476	634	139	557	283	21	3,198	688	242	4,128
ADA accommodations	3,048	-	-	80	-	-	-	3,128	-	-	3,128
Grants and allocations	-	6,500	41,250	-	-	-	-	47,750	-	-	47,750
Insurance	1,134	580	772	169	679	345	25	3,704	839	295	4,838
Interest expense	-	-	-	-	-	-	-	-	-	-	-
Marketing	510	362	295	852	265	284	-	2,568	1,285	97	3,950
Meeting expense	2,604	6,375	10,331	1,281	1,937	2,995	50	25,573	5,377	1,127	32,077
Miscellaneous expense	56	28	38	-	34	17	-	173	276	15	464
Occupancy	28,562	14,610	22,690	4,265	17,108	8,676	634	96,545	21,129	7,421	125,095
Postage and shipping	19,378	583	21,309	-	-	588	-	41,858	1,636	198	43,692
Printing and publication	31,101	2,169	16,708	693	1,417	1,707	49	53,844	1,685	578	56,107
Professional development	10,608	2,115	2,689	618	1,943	1,512	64	19,549	2,243	774	22,566
Software	16,313	8,701	11,141	2,421	10,526	5,332	360	54,794	12,188	6,177	73,159
Supplies	2,908	1,293	4,459	353	1,424	801	52	11,290	1,756	615	13,661
Telephone and internet	1,289	694	4,569	191	819	428	28	8,018	1,220	341	9,579
Travel	4,102	4,680	7,933	1,147	1,841	4,148	28	23,879	3,864	479	28,222
VISTA	-	-	-	109,522	-	-	-	109,522	-	-	109,522
Workshop and conference	292,479	-	131	-	-	-	-	292,610	-	-	292,610
Total Expenses Before Depreciation	910,162	288,124	450,805	186,217	313,238	166,555	14,702	2,329,803	420,968	146,610	2,897,381
Depreciation and amortization	15,468	7,912	10,532	2,310	9,265	4,698	343	50,528	11,442	4,019	65,989
Total Expenses	\$ 925,630	\$ 296,036	\$ 461,337	\$ 188,527	\$ 322,503	\$ 171,253	\$ 15,045	\$ 2,380,331	\$ 432,410	\$ 150,629	\$ 2,963,370

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

Minnesota Council of Nonprofits, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016 (Consolidated)
Cash Flows From Operating Activities		
Change in net assets	\$ (143,603)	\$ 958,215
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	71,389	65,988
Net realized and unrealized investment gain	(5,821)	(2,862)
Gain on sale of assets	-	(14,900)
(Increase) decrease in assets:		
Accounts receivable	(24,440)	18,146
Grants receivable	319,175	(402,059)
Inventory	22,617	(22,644)
Prepaid expenses and other current assets	(23,398)	(16,904)
Unemployment funds held by others	(6,034)	(4,524)
Increase (decrease) in liabilities:		
Accounts payable	854	8,019
Accrued payroll expenses	19,522	19,684
Deferred revenue	11,038	11,785
Net Cash Provided by Operating Activities	241,849	617,944
 Cash Flows From Investing Activities		
Purchases of property and equipment	(517,595)	(65,313)
Proceeds from sales of assets	-	74,900
Net Cash Provided by (used for) Investing Activities	(517,595)	9,587
 Net Increase (Decrease) in Cash and Cash Equivalents	(275,746)	627,531
 Cash and Cash Equivalents at Beginning of Year	1,669,136	1,041,605
 Cash and Cash Equivalents at End of Year	\$ 1,393,390	\$ 1,669,136

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

Minnesota Council of Nonprofits, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 1: Summary of 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 activities 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; 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.

VISTA – MCN sponsors an AmeriCorps VISTA program and places VISTAs in Minnesota nonprofits to provide capacity and ensure the sustainability of their operations and increase their impact in community.

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) was incorporated under the Minnesota Nonprofit Corporation Act in 2011 and was a taxable subsidiary of Minnesota Council of Nonprofits. NIA was formed to serve the insurance needs of nonprofit organizations by identifying and brokering appropriate and cost-effective insurance coverage. In 2015, the boards of NIA and MCN evaluated NIA's business model and decided several changes in the insurance industry in recent years made it clear that there was a better way to serve the nonprofit sector's insurance needs. As a result, NIA's assets were sold to Bremer Insurance on October 30, 2015. The purchase agreement included a contingent second payment payable on November 30, 2016, which was calculated at \$74,900. NIA was dissolved in December 2016. Therefore, the 2016 financials contain minimal transactions related to NIA.

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:

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.

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

Minnesota Council of Nonprofits, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

The 2016 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.

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. The allowance for uncollectible accounts for the years ended December 31, 2017 and 2016 is \$0.

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 and property 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 assets' estimated useful lives of up to 10 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 awarded.

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 Financial Statements
December 31, 2017 and 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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 received donated design work for conference materials in both 2017 and 2016.

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.

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 was a taxable corporation that filed its own corporate federal and Minnesota income tax returns. The final return was filed for the year ended December 31, 2016.

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.

Subsequent Events

Subsequent events were evaluated through DATE NEEDED, which is the date the financial statements were available to be issued.

Minnesota Council of Nonprofits, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: 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, 2017 or 2016. The Organization could be required to make additional payments if claims exceeded the accumulated contributions.

Note 3: Grants Receivable

Grants receivable on December 31 are as follows:

	2017	2016
Less than one year	\$ 446,448	\$ 645,623
One to five years	100,000	220,000
Net grants receivable	\$ 546,448	\$ 865,623

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 several funders with whom MCN has had considerable experience. The entire amount is deemed collectible.

Note 4: Fair Value Measurements

The established framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in 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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in methodology used at December 31, 2017 and 2016.

Equity Index Funds – Valued at the daily closing price of the fund.

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Note 4: Fair Value Measurements (Continued)

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	Total
December 31, 2017:		
Equity index funds	\$ 32,693	\$ 32,693
December 31, 2016:		
Equity index funds	\$ 26,872	\$ 26,872

An unrealized gain of \$5,821 and \$2,862 was recognized during the years ended December 31, 2017 and 2016, respectively.

Note 5: Line Of Credit

In May 2016, MCN renewed their revolving line of credit agreement with Bremer Bank to provide for available borrowings up to \$100,000. The agreement matures on May 28, 2018. Borrowings under the line of credit bear interest at 5.00%. 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, 2017 or 2016.

Note 6: 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 unrelated business income. All returns the Organization filed prior to fiscal year 2014 are closed. No returns are currently under examination in any tax jurisdiction.

Income taxes are provided for the tax effects of unrelated business transactions for MCN reported in the 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.

Note 7: Leases

The Organization leases office space under an operating lease, which expires January 31, 2024. The agreement calls for monthly lease payments of \$15,529, which includes utilities, real estate taxes and insurance. This amount will increase in November 2017 and annually thereafter. Rent expense was \$197,760 and \$118,731 for the years ended December 31, 2017 and 2016.

The Organization also has several non-cancelable operating equipment leases that expire at various dates through 2021.

In 2007, the Organization began a non-cancelable three-year lease for capitalized internet software that expired in November 2010. The lease was renewed three times since then and will currently expire on July 12, 2019. The lease agreement will remain in effect until the Organization notifies the company of their intent not to renew at least 60 days prior to the end of the renewal term.

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Note 7: Leases (Continued)

Future minimum lease payments as of December 31, 2017 are as follows:

Years Ending December 31	Amount
2018	\$ 251,340
2019	230,652
2020	216,778
2021	224,328
2022	225,384
Thereafter	997,865
Total	\$ 2,146,347

Note 8: Restricted Net Assets

MCN had the following temporarily restricted net assets at December 31:

	2017	2016
Minnesota Budget Project	\$ 290,000	\$ 500,000
Public Policy	282,500	452,500
Regional Chapters	214,045	38,500
Time Restricted	107,500	207,500
Board Repair	78,952	84,422
Binger Awards	58,000	-
Workshops	27,500	7,500
Nonprofit Center Growth and Expansion	-	302,025
GrantAdvisor	-	25,000
Total Temporarily Restricted	\$ 1,058,497	\$ 1,617,447

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Note 8: Restricted Net Assets (Continued)

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

	<u>2017</u>	<u>2016</u>
Nonprofit Center Growth and Expansion	\$ 656,851	\$ 98,775
Minnesota Budget Project	365,000	421,500
VISTA	216,802	97,588
Public Policy	180,000	240,000
Time Restricted	107,500	-
Regional Chapters	98,250	86,500
Binger Awards	58,000	54,300
GrantAdvisor	25,000	-
Workshops	7,500	45,000
Board Repair	5,470	15,578
	<u>\$ 1,720,373</u>	<u>\$ 1,059,241</u>
Total Released Net Assets		

Note 9: 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 10: 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 \$70,277 and \$67,372 for the years ended December 31, 2017 and 2016, respectively.