

# Financial Statements

**Minnesota Council of Nonprofits, Inc.**

St. Paul, Minnesota

For the Years Ended  
December 31, 2018 and 2017



Minnesota Council of Nonprofits, Inc.  
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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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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, 2018 and 2017, 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  
Minneapolis, Minnesota  
April 17, 2019

## FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.  
Statements of Financial Position  
December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,417,227	\$ 1,393,390
Accounts receivable	19,474	53,141
Grants receivable, short-term	511,499	446,448
Inventory	18,896	8,954
Prepaid expenses	73,564	65,727
Total Current Assets	2,040,660	1,967,660
<b>Investments</b>	31,198	32,693
<b>Property and Equipment</b>		
Furniture, equipment and software	1,309,816	1,191,154
Accumulated depreciation	(726,003)	(622,989)
Total Property and Equipment, Net	583,813	568,165
<b>Noncurrent Assets</b>		
Security deposit	6,517	6,517
Unemployment funds held by others	33,336	49,693
Grants receivable, long-term	350,000	100,000
Total Noncurrent Assets	389,853	156,210
 Total Assets	 \$ 3,045,524	 \$ 2,724,728

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

Minnesota Council of Nonprofits, Inc.  
 Statements of Financial Position (Continued)  
 December 31, 2018 and 2017

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 60,255	\$ 53,422
Accrued expenses	99,752	92,759
Deferred revenue	124,090	162,404
Total Liabilities	284,097	308,585
Net Assets		
Net Assets without Donor Restriction		
Undesignated, available for general activities	415,524	382,799
Invested in furniture, equipment and software	583,814	568,165
Board designated reserve fund	346,933	346,682
Board designated, anti-racism award	10,000	10,000
Board designated, Nonprofit Center Growth and Expansion	26,036	50,000
Total Net Assets without Donor Restriction	1,382,307	1,357,646
Net Assets with Donor Restriction	1,379,120	1,058,497
Total Net Assets	2,761,427	2,416,143
Total Liabilities and Net Assets	\$ 3,045,524	\$ 2,724,728

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

Minnesota Council of Nonprofits, Inc.  
Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 6,248	\$ -	\$ 6,248
In-kind contributions	9,000	-	9,000
Grants	274,740	1,509,000	1,783,740
Total Support	289,988	1,509,000	1,798,988
Revenue			
Membership dues	885,518	-	885,518
Workshops and conference	596,996	-	596,996
Sponsorships and marketing	338,121	-	338,121
Annual conference	228,283	-	228,283
Publications	69,274	-	69,274
VISTA cost-share	68,382	-	68,382
Honoraria and consulting	9,345	-	9,345
Investment gains (losses)	(97)	-	(97)
Other revenue	2,985	-	2,985
Total Revenue	2,198,807	-	2,198,807
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	1,188,377	(1,188,377)	-
Total Support and Revenue	3,677,172	320,623	3,997,795
Expenses			
Program Services			
Education	1,222,260	-	1,222,260
Public policy and civic engagement	232,985	-	232,985
Member services	635,247	-	635,247
VISTA	376,097	-	376,097
Research	313,057	-	313,057
Advocacy	150,840	-	150,840
Total Program Services Expenses	2,930,486	-	2,930,486
Supporting Services			
Management and general	574,365	-	574,365
Fundraising	147,660	-	147,660
Total Supporting Services Expenses	722,025	-	722,025
Total Expenses	3,652,511	-	3,652,511
Change in Net Assets	24,661	320,623	345,284
Net Assets, Beginning of the Year	1,357,646	1,058,497	2,416,143
Net Assets, End of the Year	\$ 1,382,307	\$ 1,379,120	\$ 2,761,427

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

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

	Without Donor Restrictions	With Donor Restrictions	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	92,285	1,161,423	1,253,708
Revenue			
Membership dues	846,085	-	846,085
Workshops and conference	577,846	-	577,846
Sponsorships and marketing	321,917	-	321,917
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
Investment gains (losses)	6,935	-	6,935
Other revenue	2,189	-	2,189
Total Revenue	2,098,364	-	2,098,364
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	1,720,373	(1,720,373)	-
Total Support and Revenue	3,911,022	(558,950)	3,352,072
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	2,779,746	-	2,779,746
Supporting Services			
Management and general	555,400	-	555,400
Fundraising	160,529	-	160,529
Total Supporting Services Expenses	715,929	-	715,929
Total Expenses	3,495,675	-	3,495,675
Change in Net Assets	415,347	(558,950)	(143,603)
Net Assets, Beginning of the Year	942,299	1,617,447	2,559,746
Net Assets, End of the Year	\$ 1,357,646	\$ 1,058,497	\$ 2,416,143

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



**Minnesota Council of Nonprofits, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services					Supporting Services			Total Expenses	
	Education	Public Policy and Civic Engagement	Member Services	VISTA	Research	Advocacy	Total Program	Management and General		Fundraising
<b>Personnel Expenses</b>										
Salaries	\$ 390,824	\$ 134,059	\$ 279,781	\$ 73,561	\$ 188,180	\$ 89,891	\$ 1,156,296	\$ 311,197	\$ 87,714	\$ 1,555,207
Employee benefits	70,760	24,272	51,359	13,319	34,071	16,275	210,056	56,343	15,881	282,280
Payroll taxes	28,004	9,606	20,047	5,271	13,484	6,441	82,853	22,298	6,285	111,436
<b>Total Personnel Expenses</b>	<b>489,588</b>	<b>167,937</b>	<b>351,187</b>	<b>92,151</b>	<b>235,735</b>	<b>112,607</b>	<b>1,449,205</b>	<b>389,838</b>	<b>109,880</b>	<b>1,948,923</b>
<b>Expenses</b>										
Annual conference	131,363	-	-	-	-	-	131,363	5,587	-	131,363
Bad debt	-	-	-	-	-	-	-	11,436	1,685	34,920
Bank/merchant fees	7,368	2,527	5,274	1,387	3,548	1,695	21,799	4,967	-	4,967
Board retreat	-	-	-	-	-	-	-	-	-	-
Consultants	32,024	4,094	82,112	1,662	6,406	3,131	129,429	40,608	1,913	171,950
Dues and subscriptions	4,651	1,938	3,359	857	2,242	1,072	14,119	4,314	1,791	20,224
Equipment	12,094	3,488	6,692	1,760	5,064	2,431	31,529	14,063	2,098	47,690
ADA accommodations	3,897	240	-	-	-	-	4,137	-	-	4,137
Grants and allocations	-	-	41,500	-	-	-	41,500	-	-	41,500
Insurance	1,572	539	1,125	296	757	361	4,650	1,251	353	6,254
Marketing	454	219	338	75	356	174	1,616	315	464	2,395
Meeting expense	6,354	4,066	3,779	483	1,871	1,435	17,988	3,736	783	22,507
Miscellaneous expense	687	209	492	127	280	133	1,928	375	151	2,454
Occupancy	53,579	18,379	42,260	10,085	25,798	12,323	162,424	42,663	12,025	217,112
Postage and shipping	28,601	1,942	17,113	-	-	240	47,896	1,543	-	49,439
Printing and publication	65,802	3,253	12,580	656	1,864	1,247	85,402	2,978	782	89,162
Professional development	5,120	4,985	4,028	712	2,738	1,328	18,911	8,371	899	28,181
Software	26,784	6,235	15,001	3,292	8,421	4,022	63,755	14,161	5,703	83,619
Supplies	4,101	1,237	3,070	679	1,736	829	11,652	2,999	896	15,547
Telephone and internet	2,352	647	3,773	340	869	415	8,396	1,501	405	10,302
Travel	3,548	2,170	15,131	185	2,907	1,443	25,384	3,046	2,022	30,452
VISTA	-	-	-	256,477	-	-	256,477	-	-	256,477
Workshop and conference	316,434	-	7,901	-	-	-	324,335	-	-	324,335
<b>Total Expenses Before Depreciation</b>	<b>1,196,373</b>	<b>224,105</b>	<b>616,715</b>	<b>371,224</b>	<b>300,592</b>	<b>144,886</b>	<b>2,853,895</b>	<b>553,752</b>	<b>141,850</b>	<b>3,549,497</b>
Depreciation	25,887	8,880	18,532	4,873	12,465	5,954	76,591	20,613	5,810	103,014
<b>Total Expenses</b>	<b>\$ 1,222,260</b>	<b>\$ 232,985</b>	<b>\$ 635,247</b>	<b>\$ 376,097</b>	<b>\$ 313,057</b>	<b>\$ 150,840</b>	<b>\$ 2,930,486</b>	<b>\$ 574,365</b>	<b>\$ 147,660</b>	<b>\$ 3,652,511</b>

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

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

	Program Services					Supporting Services			Total Expenses	
	Education	Public Policy and Civic Engagement	Member Services	VISTA	Research	Advocacy	Total Program	Management and General		Fundraising
<b>Personnel Expenses</b>										
Salaries	\$ 375,282	\$ 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
<b>Total Personnel Expenses</b>	<b>466,579</b>	<b>217,224</b>	<b>310,273</b>	<b>71,934</b>	<b>218,181</b>	<b>135,801</b>	<b>1,419,992</b>	<b>350,264</b>	<b>123,749</b>	<b>1,894,005</b>
<b>Expenses</b>										
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
<b>Total Expenses Before Depreciation</b>	<b>1,119,640</b>	<b>302,699</b>	<b>537,781</b>	<b>289,334</b>	<b>290,008</b>	<b>184,621</b>	<b>2,724,083</b>	<b>543,742</b>	<b>156,460</b>	<b>3,424,285</b>
Depreciation and amortization	18,754	7,339	12,472	2,877	8,767	5,454	55,663	11,658	4,069	71,390
<b>Total Expenses</b>	<b>\$ 1,138,394</b>	<b>\$ 310,038</b>	<b>\$ 550,253</b>	<b>\$ 292,211</b>	<b>\$ 298,775</b>	<b>\$ 190,075</b>	<b>\$ 2,779,746</b>	<b>\$ 555,400</b>	<b>\$ 160,529</b>	<b>\$ 3,495,675</b>

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

Minnesota Council of Nonprofits, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 345,284	\$ (143,603)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	103,014	71,389
Net realized and unrealized investment (gain) loss	1,495	(5,821)
(Increase) decrease in assets:		
Accounts receivable	33,667	(24,440)
Grants receivable	(315,051)	319,175
Inventory	(9,942)	22,617
Prepaid expenses and other current assets	(7,837)	(23,398)
Unemployment funds held by others	16,357	(6,034)
Increase (decrease) in liabilities:		
Accounts payable	6,833	854
Accrued payroll expenses	6,993	20,072
Deferred revenue	(38,314)	11,038
Net Cash Provided by Operating Activities	142,499	241,849
Cash flows from Investing Activities		
Purchases of property and equipment	(118,662)	(517,595)
Net Increase (Decrease) in Cash and Cash Equivalents	23,837	(275,746)
Cash and Cash Equivalents at Beginning of Year	1,393,390	1,669,136
Cash and Cash Equivalents at End of Year	\$ 1,417,227	\$ 1,393,390

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

Minnesota Council of Nonprofits, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies**

**A. Nature of Activities**

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](http://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.

**B. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For the year ended December 31, 2018, the Organization adopted ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. This ASU was applied retrospectively for the year ended December 31, 2017.

Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in non-donor-restricted or donor-restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets Without Donor Restrictions

Those resources over which the Organization has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

Net Assets With Donor Restrictions

Those resources subject to donor imposed restrictions, which are satisfied by actions of the Organization or passage of time, or are to be maintained permanently by the Organization.

Minnesota Council of Nonprofits, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. 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.

**D. 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 net assets without donor restriction unless the income or loss is restricted by the donor or law.

**E. 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, 2018 and 2017 is \$0.

**F. Inventories**

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

**G. 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.

**H. Contributions**

Contributions received are recorded as donor-restricted or non-donor restricted depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recognized in the period awarded.

**I. In-kind Contributions**

The Organization reports gifts of non-cash assets as support without donor restriction 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.

**J. 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.

Minnesota Council of Nonprofits, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

**K. Donated Services**

Non-cash donations are reflected as support without donor restriction 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 2018 and 2017.

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.

**L. Allocation of Functional Expenses**

Expenses that are directly identifiable by program are reported directly under their specific program. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service are allocated based on management estimates of staff time spent on each program area. Salaries and related expenses are allocated based on job descriptions and other management estimates.

**M. Tax Status**

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

**N. 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.

**O. New Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09) as a new Topic, Accounting Standards Codification Topic 606. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for Minnesota Council of Nonprofits in 2019. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, Leases, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for Minnesota Council of Nonprofits in 2020. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

**P. Subsequent Events**

Subsequent events were evaluated through April 17, 2019, which is the date the financial statements were available to be issued.

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**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, 2018 or 2017. 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:

	2018	2017
Less than one year	\$ 511,499	\$ 446,448
One to five years	350,000	100,000
Net Grants Receivable	\$ 861,499	\$ 546,448

Management has not established a discount for present value of the long-term grant receivable as the discount is immaterial. No allowance for uncollectible grants 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, 2018 and 2017.

*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, 2018:		
Equity index funds	\$ 31,198	\$ 31,198
December 31, 2017:		
Equity index funds	\$ 32,693	\$ 32,693

An unrealized gain (loss) of (\$1,495) and \$5,821 was recognized during the years ended December 31, 2018 and 2017, respectively.

**Note 5: Line of Credit**

In May 2018, 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, 2020. Borrowings under the line of credit bear interest at 5.25%. 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, 2018 or 2017.

**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 2015 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 \$16,788, which includes utilities, real estate taxes and insurance. This amount will increase in November 2019 and annually thereafter. Rent expense was \$217,112 and \$197,760 for the years ended December 31, 2018 and 2017.

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

The Organization has a lease for capitalized internet software. The lease currently has an expiration date of July 12, 2019, but 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, 2018 are as follows:

Years Ending December 31,	Amount
2019	\$ 208,143
2020	215,698
2021	223,253
2022	225,383
2023	232,938
Thereafter	764,923
Total	\$ 1,870,338

**Note 8: Net Assets with Donor Restrictions**

MCN had the following net assets with donor restrictions at December 31:

	2018	2017
Minnesota Budget Project	\$ 795,000	\$ 290,000
Time Restricted	207,500	107,500
Regional Chapters	148,500	214,045
Public Policy	122,500	282,500
Board Repair	69,814	78,952
Capital Campaign	26,306	-
Inclusion and Equity	5,000	-
Workshops	4,500	27,500
Binger Awards	-	58,000
Total Net Assets with Donor Restrictions	\$ 1,379,120	\$ 1,058,497

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**Note 8: Net Assets with Donor Restrictions (Continued)**

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

	2018	2017
Minnesota Budget Project	\$ 370,000	\$ 365,000
Time Restricted	197,500	107,500
Public Policy	170,000	180,000
Regional Chapters	147,045	98,250
Capital Campaign	123,694	-
Associated Health Plan	75,000	-
Binger Awards	58,000	58,000
Workshops	25,500	7,500
Board Repair	9,138	5,470
GrantAdvisor	7,500	25,000
Inclusion and Equity	5,000	-
Nonprofit Center Growth and Expansion	-	656,851
VISTA	-	216,802
	\$ 1,188,377	\$ 1,720,373
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 \$62,403 and \$70,277 for the years ended December 31, 2018 and 2017, respectively.

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**Note 11: Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,417,227
Accounts receivable	19,474
Grants receivable	861,499
Investments	31,198
Total financial assets	2,329,398
Less those unavailable for general expenditure within one year, due to:	
Contractual or board-imposed restrictions:	
Board designated reserve fund	(346,933)
Board designated, anti-racism award	(10,000)
Board designated, Nonprofit Center Growth and Expansion	(26,036)
Total board-designated amounts	(382,969)
Donor-restricted amounts	(1,379,120)
Total not available for general expenditure within one year	(1,762,089)
Financial assets available to meet cash needs for general expenditures within one year	\$ 567,309

As part of liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Minnesota Council of Nonprofits has a policy of setting aside at least one month of normal operating expenses as a restricted reserve.

Minnesota Council of Nonprofits also has a committed line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity level.

