

Financial Statements

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

For the Years Ended
December 31, 2020 and 2019

Minnesota Council of Nonprofits, Inc.
Table of Contents
December 31, 2020 and 2019

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12



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, 2020 and 2019, 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 audits 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, 2020 and 2019, and the changes in its net assets and its 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
July 20, 2021

FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 748,422	\$ 190,817
Accounts receivable	78,193	69,524
Grants receivable, short-term	419,318	822,468
Inventory	8,324	7,532
Prepaid expenses	23,523	53,332
Total Current Assets	1,277,780	1,143,673
Investments	968,915	894,784
Property and Equipment		
Furniture, equipment and software	1,403,454	1,354,768
Accumulated depreciation	(940,497)	(832,366)
Total Property and Equipment, Net	462,957	522,402
Noncurrent Assets		
Security deposit	6,517	6,517
Unemployment funds held by others	49,312	42,037
Grants receivable, long-term	250,000	97,500
Total Noncurrent Assets	305,829	146,054
Total Assets	\$ 3,015,481	\$ 2,706,913

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

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position (Continued)
 December 31, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 40,050	\$ 58,899
Accrued expenses	87,305	96,845
Deferred revenue	163,560	192,814
Total Liabilities	290,915	348,558
Net Assets		
Net assets without donor restriction		
Undesignated, available for general activities	543,404	289,856
Invested in furniture, equipment and software	462,957	522,402
Board designated reserve fund	346,933	346,933
Board designated for future years	195,000	-
Board designated, anti-racism award	9,000	9,000
Total Net Assets without Donor Restriction	1,557,294	1,168,191
Net assets with donor restriction	1,167,272	1,190,164
Total Net Assets	2,724,566	2,358,355
Total Liabilities and Net Assets	\$ 3,015,481	\$ 2,706,913

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

Minnesota Council of Nonprofits, Inc.
Statements of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 4,829	\$ -	\$ 4,829
PPP loan forgiveness	356,300	-	356,300
Grants	561,300	1,088,040	1,649,340
Total Support	<u>922,429</u>	<u>1,088,040</u>	<u>2,010,469</u>
Revenue			
Membership dues	970,422	-	970,422
Workshops and conference	372,755	-	372,755
Sponsorships and marketing	228,385	-	228,385
Annual conference	82,516	-	82,516
Publications	65,602	-	65,602
VISTA cost-share	41,976	-	41,976
Honoraria and consulting	12,250	-	12,250
Investment gains (losses)	77,030	-	77,030
Other revenue	43	-	43
Total Revenue	<u>1,850,979</u>	<u>-</u>	<u>1,850,979</u>
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	<u>1,110,932</u>	<u>(1,110,932)</u>	<u>-</u>
Total Support and Revenue	<u>3,884,340</u>	<u>(22,892)</u>	<u>3,861,448</u>
Expenses			
Program Services			
Education	805,343	-	805,343
Public policy and civic engagement	427,091	-	427,091
Member services	437,471	-	437,471
VISTA	277,188	-	277,188
Research	459,692	-	459,692
Advocacy	171,711	-	171,711
Total Program Services Expenses	<u>2,578,496</u>	<u>-</u>	<u>2,578,496</u>
Supporting Services			
Management and general	755,309	-	755,309
Fundraising	161,432	-	161,432
Total Supporting Services Expenses	<u>916,741</u>	<u>-</u>	<u>916,741</u>
Total Expenses	<u>3,495,237</u>	<u>-</u>	<u>3,495,237</u>
Change in Net Assets	389,103	(22,892)	366,211
Net Assets, Beginning of the Year	<u>1,168,191</u>	<u>1,190,164</u>	<u>2,358,355</u>
Net Assets, End of the Year	<u>\$ 1,557,294</u>	<u>\$ 1,167,272</u>	<u>\$ 2,724,566</u>

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

Minnesota Council of Nonprofits, Inc.
 Statements of Activities (Continued)
 For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 10,329	\$ -	\$ 10,329
In-kind contributions	9,000	-	9,000
Grants	256,186	1,182,094	1,438,280
Total Support	275,515	1,182,094	1,457,609
Revenue			
Membership dues	937,750	-	937,750
Workshops and conference	510,666	-	510,666
Sponsorships and marketing	297,128	-	297,128
Annual conference	158,113	-	158,113
Publications	38,007	-	38,007
VISTA cost-share	46,937	-	46,937
Honoraria and consulting	8,150	-	8,150
Investment gains (losses)	27,213	-	27,213
Other revenue	2,808	-	2,808
Total Revenue	2,026,772	-	2,026,772
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	1,371,050	(1,371,050)	-
Total Support and Revenue	3,673,337	(188,956)	3,484,381
Expenses			
Program Services			
Education	1,118,053	-	1,118,053
Public policy and civic engagement	476,453	-	476,453
Member services	595,166	-	595,166
VISTA	293,272	-	293,272
Research	425,687	-	425,687
Advocacy	155,072	-	155,072
Total Program Services Expenses	3,063,703	-	3,063,703
Supporting Services			
Management and general	665,357	-	665,357
Fundraising	158,393	-	158,393
Total Supporting Services Expenses	823,750	-	823,750
Total Expenses	3,887,453	-	3,887,453
Change in Net Assets	(214,116)	(188,956)	(403,072)
Net Assets, Beginning of the Year	1,382,307	1,379,120	2,761,427
Net Assets, End of the Year	\$ 1,168,191	\$ 1,190,164	\$ 2,358,355

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

Minnesota Council of Nonprofits, Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2020

	Program Services						Supporting Services			Total Expenses
	Education	Public Policy and Civic Engagement	Member Services	VISTA	Research	Advocacy	Total Program	Management and General	Fundraising	
Personnel Expenses										
Salaries	\$ 384,982	\$ 225,120	\$ 222,537	\$ 61,825	\$ 276,973	\$ 101,574	\$ 1,273,011	\$ 462,649	\$ 103,692	\$ 1,839,352
Employee benefits	67,100	39,237	38,787	10,776	48,275	17,704	221,879	80,637	18,073	320,589
Payroll taxes	27,452	16,053	15,869	4,409	19,750	7,243	90,776	32,991	7,394	131,161
Total Personnel Expenses	479,534	280,410	277,193	77,010	344,998	126,521	1,585,666	576,277	129,159	2,291,102
Expenses										
Annual conference	21,989	-	-	-	-	-	21,989	-	-	21,989
Bad debt	-	-	-	-	-	-	-	8,765	-	8,765
Bank/merchant fees	5,759	3,368	3,329	925	4,143	1,519	19,043	7,441	1,551	28,035
Consultants	15,979	11,869	34,177	3,645	18,848	7,842	92,360	33,108	2,758	128,226
Dues and subscriptions	3,882	3,475	4,387	623	3,094	1,175	16,636	5,169	1,410	23,215
Equipment	-	-	-	-	-	-	-	3,195	-	3,195
ADA accommodations	1,132	554	548	152	682	250	3,318	1,138	255	4,711
Grants and allocations	-	66,500	40,000	-	15,000	7,500	129,000	-	-	129,000
Insurance	1,470	859	850	236	1,057	388	4,860	2,036	396	7,292
Marketing	31	241	87	1	478	238	1,076	10	2	1,088
Meeting	1,193	2,014	1,507	604	1,104	443	6,865	1,840	380	9,085
Miscellaneous	498	234	241	64	287	105	1,429	2,774	108	4,311
Occupancy	44,037	25,751	26,175	7,072	31,682	11,619	146,336	52,921	11,861	211,118
Postage and shipping	5,059	1,422	5,666	391	1,750	642	14,930	2,923	670	18,523
Printing and publication	52,522	1,265	4,419	278	1,244	456	60,184	2,078	466	62,728
Professional development	1,326	847	2,020	213	979	362	5,747	1,594	357	7,698
Software	19,392	12,665	11,516	3,028	15,444	5,814	67,859	22,897	5,079	95,835
Supplies	1,278	767	1,509	203	910	334	5,001	1,520	341	6,862
Telephone and internet	3,103	1,180	2,273	324	1,452	532	8,864	2,425	543	11,832
Travel	2,144	-	1,988	-	-	-	4,132	-	-	4,132
VISTA	-	-	-	178,784	-	-	178,784	-	-	178,784
Workshop and conference	122,383	436	6,504	-	257	-	129,580	-	-	129,580
Total Expenses Before Depreciation	782,711	413,857	424,389	273,553	443,409	165,740	2,503,659	728,111	155,336	3,387,106
Depreciation	22,632	13,234	13,082	3,635	16,283	5,971	74,837	27,198	6,096	108,131
Total Expenses	<u>\$ 805,343</u>	<u>\$ 427,091</u>	<u>\$ 437,471</u>	<u>\$ 277,188</u>	<u>\$ 459,692</u>	<u>\$ 171,711</u>	<u>\$ 2,578,496</u>	<u>\$ 755,309</u>	<u>\$ 161,432</u>	<u>\$ 3,495,237</u>

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

Minnesota Council of Nonprofits, Inc.
Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2019

	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	\$ 388,967	\$ 167,738	\$ 244,178	\$ 57,949	\$ 231,795	\$ 79,577	\$ 1,170,204	\$ 381,868	\$ 98,893	\$ 1,650,965
Employee benefits	69,878	30,134	43,866	10,410	41,642	14,296	210,226	68,602	17,767	296,595
Payroll taxes	27,791	11,985	17,446	4,140	16,562	5,686	83,610	27,284	7,066	117,960
Total Personnel Expenses	486,636	209,857	305,490	72,499	289,999	99,559	1,464,040	477,754	123,726	2,065,520
Expenses										
Annual conference	103,452	-	-	-	-	-	103,452	-	-	103,452
Bad debt	-	-	-	-	-	-	-	14,958	-	14,958
Bank/merchant fees	7,360	3,174	6,832	1,096	4,386	1,506	24,354	7,214	1,871	33,439
Board retreat	-	-	-	-	-	-	-	7,850	-	7,850
Consultants	30,616	43,669	97,793	900	26,840	12,589	212,407	19,741	2,264	234,412
Dues and subscriptions	4,304	2,518	3,315	641	2,695	945	14,418	4,225	1,904	20,547
Equipment	-	-	-	-	-	-	-	10,954	-	10,954
ADA accommodations	3,619	240	1,576	24	-	-	5,459	-	-	5,459
Grants and allocations	-	151,210	43,196	-	28,421	14,211	237,038	-	-	237,038
Insurance	1,683	726	1,057	251	1,003	344	5,064	1,653	428	7,145
Marketing	832	718	950	294	948	422	4,164	555	144	4,863
Meeting	3,371	4,100	5,286	1,358	3,303	1,407	18,825	5,337	773	24,935
Miscellaneous	504	213	322	110	242	85	1,476	560	96	2,132
Occupancy	52,121	22,477	37,108	7,765	31,061	10,663	161,195	51,170	13,252	225,617
Postage and shipping	18,450	628	17,520	210	880	309	37,997	2,924	426	41,347
Printing and publication	21,818	1,341	16,305	359	1,471	527	41,821	2,187	566	44,574
Professional development	3,780	1,763	1,704	95	738	310	8,390	3,858	160	12,408
Software	19,011	7,550	11,765	2,715	10,768	3,779	55,588	20,784	4,296	80,668
Supplies	4,814	1,878	2,972	621	2,490	855	13,630	4,875	1,060	19,565
Telephone and internet	2,393	1,032	4,415	356	1,426	489	10,111	2,350	608	13,069
Travel	9,795	8,293	9,117	325	4,083	1,945	33,558	1,806	448	35,812
VISTA	25	-	-	199,920	-	-	199,945	-	-	199,945
Workshop and conference	318,410	4,259	12,712	-	-	-	335,381	-	-	335,381
Total Expenses Before Depreciation	1,092,994	465,646	579,435	289,539	410,754	149,945	2,988,313	640,755	152,022	3,781,090
Depreciation and amortization	25,059	10,807	15,731	3,733	14,933	5,127	75,390	24,602	6,371	106,363
Total Expenses	<u>\$ 1,118,053</u>	<u>\$ 476,453</u>	<u>\$ 595,166</u>	<u>\$ 293,272</u>	<u>\$ 425,687</u>	<u>\$ 155,072</u>	<u>\$ 3,063,703</u>	<u>\$ 665,357</u>	<u>\$ 158,393</u>	<u>\$ 3,887,453</u>

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 366,211	\$ (403,072)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	108,131	106,363
Net realized and unrealized investment (gain) loss	(68,800)	(22,074)
(Increase) decrease in assets:		
Accounts receivable	(8,669)	(50,050)
Grants receivable	250,650	(58,469)
Inventory	(792)	11,364
Prepaid expenses and other current assets	29,809	20,232
Unemployment funds held by others	(7,275)	(8,701)
Increase (decrease) in liabilities:		
Accounts payable	(18,849)	(1,356)
Accrued payroll expenses	(9,540)	(2,907)
Deferred revenue	(29,254)	68,724
Net Cash Provided (Used) by Operating Activities	611,622	(339,946)
Cash flows from Investing Activities		
Purchases of property and equipment	(48,686)	(44,952)
Purchases of investments	(5,331)	(841,512)
Net Cash Used by Investing Activities	(54,017)	(886,464)
Net Increase (Decrease) in Cash and Cash Equivalents	557,605	(1,226,410)
Cash and Cash Equivalents at Beginning of Year	190,817	1,417,227
Cash and Cash Equivalents at End of Year	\$ 748,422	\$ 190,817

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

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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) 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.

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 MCN and related changes are classified and reported as follows:

Net Assets Without Donor Restrictions

Those resources over which MCN 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 MCN or passage of time, or are to be maintained permanently by MCN.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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 MCN expects to collect on balances outstanding at period end. MCN 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, 2020 and 2019 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

MCN 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, 2020 and 2019

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. MCN received donated design work for conference materials in 2019. MCN did not receive donated services in 2020.

MCN has a large and dedicated team of volunteers who perform a variety of tasks that assist MCN 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 MCN is a public charity, contributions to it may be deductible for tax purposes.

N. Credit Risk

MCN 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. Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

P. Adoption of New Accounting Standards

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, 2021, 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 2022. MCN is currently evaluating the impact this standard will have on financial statements.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. MCN is currently evaluating the impact this standard will have on its financial statements.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Q. Subsequent Events

Subsequent events were evaluated through July 20, 2021, which is the date the financial statements were available to be issued.

In February 2021, MCN entered into a promissory note agreement with Sunrise Banks in the amount of \$349,300 pursuant to the second Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at one percent per annum and is scheduled to mature in February 2023. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds).

Note 2: Unemployment Fund

MCN has elected to opt out of participation in the Minnesota Unemployment Insurance Program. MCN 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. MCN believes there is no significant liability for claims incurred but not reported at December 31, 2020 or 2019. MCN 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:

	2020	2019
Less Than One Year	\$ 419,318	\$ 822,468
One to Five Years	250,000	97,500
Net Grants Receivable	\$ 669,318	\$ 919,968

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 MCN has the ability to access.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 4: Fair Value Measurements (Continued)

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, 2020 and 2019.

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

MCN'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, 2020		
Bonds	\$ 268,898	\$ 268,898
Equity index funds	48,515	48,515
Short-term reserves	522,014	522,014
Stocks	129,488	129,488
Total	\$ 968,915	\$ 968,915
December 31, 2019		
Bonds	\$ 120,209	\$ 120,209
Equity index funds	41,008	41,008
Short-term reserves	519,670	519,670
Stocks	213,897	213,897
Total	\$ 894,784	\$ 894,784

Unrealized gains of \$68,590 and \$7,807 were recognized during the years ended December 31, 2020 and 2019, respectively.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 5: Line of Credit

In July 2020, 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, 2022. Borrowings under the line of credit bear interest at 3.75%. 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, 2020 or 2019.

Note 6: Paycheck Protection Program

In April 2020, MCN entered into a promissory note agreement with Bremer Bank, National Association in the amount of \$356,300 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrued interest at one percent per annum and was scheduled to mature in April 2022. Up to 100 percent of the loan was forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). In February 2021, the loan was forgiven 100 percent.

Note 7: Leases

MCN leases office space under an operating lease, which expires January 31, 2024. The agreement calls for monthly lease payments of \$18,047, which includes utilities, real estate taxes and insurance. This amount will increase in November 2021 and annually thereafter. Rent expense was \$211,118 and \$225,617 for the years ended December 31, 2020 and 2019, respectively. MCN also has several non-cancelable operating equipment leases that expire at various dates through 2024.

Future minimum lease payments as of December 31, 2020 are as follows:

Years Ending December 31,	Amount
2021	\$ 255,756
2022	226,812
2023	234,370
2024	20,293
Total	\$ 737,231

Note 8: Net Assets with Donor Restrictions

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

	2020	2019
Minnesota Budget Project	\$ 484,167	\$ 543,750
Regional Chapters	285,000	156,600
Time Restricted	235,000	164,000
Public Policy	120,000	246,000
Board Repair	43,105	69,814
Inclusion and Equity	-	5,000
Census 2020	-	5,000
Total Net Assets with Donor Restrictions	\$ 1,167,272	\$ 1,190,164

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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:

	2020	2019
Minnesota Budget Project	\$ 528,083	\$ 571,750
Time Restricted	189,000	209,500
Public Policy	126,000	116,500
Regional Chapters	107,600	174,500
Binger Awards	60,000	60,000
Census 2020	53,800	200,000
Board Repair	31,449	-
Workshops	10,000	12,494
Inclusion and Equity	5,000	-
Capital Campaign	-	26,306
	\$ 1,110,932	\$ 1,371,050
Total Released Net Assets		

Note 9: Deferred Revenue

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

Note 10: 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 2016 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 11: Retirement Plan

MCN 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 \$82,747 and \$71,177 for the years ended December 31, 2020 and 2019, respectively.

Note 12: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, MCN is unable to determine if it will have a material impact to its operations.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 13: 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:

	2020	2019
Cash and cash equivalents	\$ 748,422	\$ 190,817
Accounts receivable	78,193	69,524
Grants receivable	669,318	919,968
Investments	968,915	894,784
Total Financial Assets	2,464,848	2,075,093
Less those unavailable for general expenditure within one year, due to:		
Contractual or board-imposed restrictions:		
Board designated reserve fund	(346,933)	(346,933)
Board designated for future years	(195,000)	-
Board designated, anti-racism award	(9,000)	(9,000)
Total Board-designated Amounts	(550,933)	(355,933)
Donor-restricted amounts	(1,032,272)	(1,123,664)
Total Unavailable for General Expenditure Within One Year	(1,583,205)	(1,479,597)
Financial assets available to meet cash needs for general expenditures within one year	\$ 881,643	\$ 595,496

As part of liquidity management, MCN 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.