



Financial Statements

Minnesota Council of Nonprofits, Inc.

St. Paul, Minnesota

For the years ended December 31, 2022 and 2021



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Minnesota Council of Nonprofits, Inc.
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Minnesota Council of Nonprofits, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Abdo
Minneapolis, Minnesota
October 5, 2023



FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position
 December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,406,566	\$ 1,575,672
Accounts receivable	87,756	75,173
Grants receivable, short-term	1,161,481	307,160
Inventory	8,858	5,672
Prepaid expenses	38,920	25,920
Total Current Assets	2,703,581	1,989,597
Property and Equipment		
Furniture, equipment and software	1,442,206	1,433,735
Accumulated depreciation	(1,178,028)	(1,062,447)
Total Property and Equipment, Net	264,178	371,288
Other Noncurrent Assets		
Investments	950,172	1,052,041
Grants receivable, long-term	175,000	270,000
Unemployment funds held by others	38,090	60,739
Security deposit	6,517	6,517
Right-of-use asset	507,060	-
Total Other Noncurrent Assets	1,676,839	1,389,297
Total Assets	\$ 4,644,598	\$ 3,750,182

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

Minnesota Council of Nonprofits, Inc.
Statements of Financial Position (Continued)
December 31, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 53,582	\$ 124,558
Accrued expenses	61,841	98,719
Deferred revenue	261,067	161,853
Capital leases current portion	237,183	-
Total Current Liabilities	613,673	385,130
Long-Term Liabilities		
Capital leases-long term portion	274,184	-
Total Liabilities	887,857	385,130
Net Assets		
Net assets without donor restriction		
Undesignated, available for general activities	1,693,319	1,214,430
Invested in furniture, equipment and software	771,239	371,289
Board designated reserve fund	346,933	346,933
Board designated, anti-racism award	9,000	9,000
Total net assets without donor restriction	2,820,491	1,941,652
Net assets with donor restriction	936,250	1,423,400
Total Net Assets	3,756,741	3,365,052
Total Liabilities and Net Assets	\$ 4,644,598	\$ 3,750,182

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 6,526	\$ -	\$ 6,526
Employee retention credit	739,717	-	739,717
Grants	107,829	1,533,000	1,640,829
Total Support	<u>854,072</u>	<u>1,533,000</u>	<u>2,387,072</u>
Revenue			
Membership dues	1,074,912	-	1,074,912
Workshops and conference	316,369	-	316,369
Sponsorships and marketing	433,727	-	433,727
Annual conference	147,332	-	147,332
Publications	99,711	-	99,711
VISTA cost-share	2,500	-	2,500
Honoraria and consulting	55,819	-	55,819
Investment losses	(100,755)	-	(100,755)
Other revenue	65	-	65
Total Revenue	<u>2,029,680</u>	<u>-</u>	<u>2,029,680</u>
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	<u>2,020,150</u>	<u>(2,020,150)</u>	<u>-</u>
Total Support and Revenue	<u>4,903,902</u>	<u>(487,150)</u>	<u>4,416,752</u>
Expenses			
Program Services			
Education	1,068,713	-	1,068,713
Public policy and civic engagement	778,281	-	778,281
Member services	333,406	-	333,406
VISTA	159,948	-	159,948
Research	475,569	-	475,569
Advocacy	275,466	-	275,466
Total Program Services	<u>3,091,383</u>	<u>-</u>	<u>3,091,383</u>
Supporting Services			
Management and general	708,518	-	708,518
Fundraising	225,162	-	225,162
Total Supporting Services	<u>933,680</u>	<u>-</u>	<u>933,680</u>
Total Expenses	<u>4,025,063</u>	<u>-</u>	<u>4,025,063</u>
Change in Net Assets	878,839	(487,150)	391,689
Net Assets, Beginning of the Year	<u>1,941,652</u>	<u>1,423,400</u>	<u>3,365,052</u>
Net Assets, End of the Year	<u>\$ 2,820,491</u>	<u>\$ 936,250</u>	<u>\$ 3,756,741</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 6,182	\$ -	\$ 6,182
PPP loan forgiveness	349,300	-	349,300
Grants	294,101	1,454,000	1,748,101
Total Support	<u>649,583</u>	<u>1,454,000</u>	<u>2,103,583</u>
Revenue			
Membership dues	1,007,490	-	1,007,490
Workshops and conference	296,788	-	296,788
Sponsorships and marketing	408,007	-	408,007
Annual conference	85,808	-	85,808
Publications	60,165	-	60,165
VISTA cost-share	50,516	-	50,516
Honoraria and consulting	2,975	-	2,975
Investment gains	83,426	-	83,426
Other revenue	600	-	600
Total Revenue	<u>1,995,775</u>	<u>-</u>	<u>1,995,775</u>
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	<u>1,197,872</u>	<u>(1,197,872)</u>	<u>-</u>
Total Support and Revenue	<u>3,843,230</u>	<u>256,128</u>	<u>4,099,358</u>
Expenses			
Program Services			
Education	750,695	-	750,695
Public policy and civic engagement	337,969	-	337,969
Member services	396,096	-	396,096
VISTA	330,506	-	330,506
Research	471,094	-	471,094
Advocacy	221,500	-	221,500
Total Program Services	<u>2,507,860</u>	<u>-</u>	<u>2,507,860</u>
Supporting Services			
Management and general	782,007	-	782,007
Fundraising	169,005	-	169,005
Total Supporting Services	<u>951,012</u>	<u>-</u>	<u>951,012</u>
Total Expenses	<u>3,458,872</u>	<u>-</u>	<u>3,458,872</u>
Change in Net Assets	384,358	256,128	640,486
Net Assets, Beginning of the Year	<u>1,557,294</u>	<u>1,167,272</u>	<u>2,724,566</u>
Net Assets, End of the Year	<u>\$ 1,941,652</u>	<u>\$ 1,423,400</u>	<u>\$ 3,365,052</u>

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, 2022

	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	\$ 416,171	\$ 197,152	\$ 144,147	\$ 75,572	\$ 248,933	\$ 146,071	\$ 1,228,046	\$ 392,730	\$ 128,577	\$ 1,749,353
Employee benefits	32,565	15,427	11,279	5,913	19,479	11,430	96,093	30,730	10,061	136,884
Payroll taxes	86,911	41,172	30,102	15,782	51,985	30,504	256,456	82,621	26,851	365,928
Total Personnel Expenses	535,647	253,751	185,528	97,267	320,397	188,005	1,580,595	506,081	165,489	2,252,165
Expenses										
ADA accommodations	144	68	50	26	86	51	425	136	44	605
Bad debt	-	-	-	-	-	-	-	859	-	859
Bank/merchant fees	8,387	3,973	2,905	1,523	5,017	2,944	24,749	8,215	2,591	35,555
Board retreat	514	243	178	93	307	180	1,515	1,162	159	2,836
Consultants	56,754	94,279	27,337	10,306	61,729	33,811	284,216	62,987	17,534	364,737
Dues and subscriptions	3,900	6,060	2,324	708	2,483	1,444	16,919	3,681	1,205	21,805
Equipment	-	-	-	-	-	-	-	5,160	-	5,160
Grants and allocations	-	339,000	54,705	-	-	-	393,705	-	-	393,705
Insurance	2,509	1,153	843	442	1,456	854	7,257	2,297	752	10,306
Marketing	-	2,737	-	33	5,474	2,737	10,981	-	-	10,981
Meeting	994	1,449	775	137	1,521	764	5,640	1,581	233	7,454
Miscellaneous	-	-	-	-	-	-	-	281	-	281
Occupancy	57,990	27,472	20,086	10,530	34,687	20,354	171,119	58,904	17,916	247,939
Postage and shipping	4,405	1,178	3,650	434	1,522	885	12,074	2,254	738	15,066
Printing and publication	45,071	4,904	6,257	369	1,216	714	58,531	1,919	628	61,078
Professional development	482	3,250	437	88	2,351	1,100	7,708	455	149	8,312
Software	25,308	11,951	8,643	4,657	15,501	8,987	75,047	22,790	7,461	105,298
Supplies	1,333	602	493	231	760	446	3,865	(392)	393	3,866
Telephone and internet	4,018	1,829	1,437	701	2,309	1,355	11,649	3,643	1,193	16,485
Travel	502	10,463	2,665	148	2,182	1,117	17,077	473	155	17,705
VISTA	-	-	-	24,343	-	-	24,343	-	-	24,343
Workshop and conference	293,258	893	5,569	2,919	124	67	302,830	84	27	302,941
Total Expenses Before Depreciation	1,041,216	765,255	323,882	154,955	459,122	265,815	3,010,245	682,570	216,667	3,909,482
Depreciation	27,497	13,026	9,524	4,993	16,447	9,651	81,138	25,948	8,495	115,581
Total Expenses	\$ 1,068,713	\$ 778,281	\$ 333,406	\$ 159,948	\$ 475,569	\$ 275,466	\$ 3,091,383	\$ 708,518	\$ 225,162	\$ 4,025,063

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, 2021

	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	\$ 369,816	\$ 188,000	\$ 205,139	\$ 71,383	\$ 254,613	\$ 119,090	\$ 1,208,041	\$ 456,217	\$ 102,658	\$ 1,766,916
Employee benefits	61,469	31,249	34,097	11,865	42,321	19,795	200,796	93,399	17,063	311,258
Payroll taxes	31,375	15,950	17,404	6,056	21,601	10,104	102,490	23,956	8,710	135,156
Total Personnel Expenses	<u>462,660</u>	<u>235,199</u>	<u>256,640</u>	<u>89,304</u>	<u>318,535</u>	<u>148,989</u>	<u>1,511,327</u>	<u>573,572</u>	<u>128,431</u>	<u>2,213,330</u>
Expenses										
ADA accommodations	2,852	-	-	-	-	-	2,852	-	-	2,852
Bad debt	-	-	-	-	-	-	-	15,932	-	15,932
Bank/merchant fees	5,865	2,981	3,253	1,132	4,038	1,889	19,158	7,275	1,628	28,061
Consultants	30,026	31,299	17,578	13,699	52,107	24,798	169,507	43,124	8,196	220,827
Dues and subscriptions	4,345	3,308	4,430	1,053	3,328	1,568	18,032	5,397	2,174	25,603
Equipment	-	-	-	-	-	-	-	1,245	-	1,245
Grants and allocations	-	7,875	49,575	-	15,750	7,875	81,075	-	-	81,075
Insurance	2,036	1,035	1,130	393	1,402	655	6,651	2,514	565	9,730
Marketing	-	604	175	-	1,207	604	2,590	609	-	3,199
Meeting	1,923	1,391	1,549	495	1,552	740	7,650	2,075	460	10,185
Miscellaneous	-	-	-	-	-	-	-	857	-	857
Occupancy	49,132	24,977	27,254	9,484	33,827	15,822	160,496	60,608	13,639	234,743
Postage and shipping	1,491	758	843	288	1,026	480	4,886	1,839	418	7,143
Printing and publication	8,937	821	1,467	312	1,112	520	13,169	1,991	448	15,608
Professional development	221	237	229	281	361	177	1,506	197	45	1,748
Software	19,027	10,160	10,535	3,628	14,184	6,677	64,211	30,049	5,189	99,449
Supplies	497	253	419	97	342	160	1,768	614	138	2,520
Telephone and internet	2,463	1,078	1,177	409	1,461	683	7,271	2,618	589	10,478
Travel	1	2,517	736	-	2,286	1,143	6,683	2	-	6,685
VISTA	-	-	388	205,004	-	-	205,392	-	-	205,392
Workshop and conference	133,695	501	4,560	-	1,003	501	140,260	-	-	140,260
Total Expenses Before Depreciation	<u>725,171</u>	<u>324,994</u>	<u>381,938</u>	<u>325,579</u>	<u>453,521</u>	<u>213,281</u>	<u>2,424,484</u>	<u>750,518</u>	<u>161,920</u>	<u>3,336,922</u>
Depreciation	25,524	12,975	14,158	4,927	17,573	8,219	83,376	31,489	7,085	121,950
Total Expenses	<u>\$ 750,695</u>	<u>\$ 337,969</u>	<u>\$ 396,096</u>	<u>\$ 330,506</u>	<u>\$ 471,094</u>	<u>\$ 221,500</u>	<u>\$ 2,507,860</u>	<u>\$ 782,007</u>	<u>\$ 169,005</u>	<u>\$ 3,458,872</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 391,689	\$ 640,486
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	115,581	121,950
Net realized and unrealized investment gain	101,869	(83,126)
Lease standard implementation loss	4,307	-
(Increase) decrease in assets:		
Accounts receivable	(12,583)	3,020
Grants receivable	(759,321)	92,158
Inventory	(3,186)	2,652
Prepaid expenses and other current assets	(13,000)	(2,397)
Unemployment funds held by others	22,649	(11,427)
Increase (decrease) in liabilities:		
Accounts payable	(70,976)	84,508
Accrued payroll expenses	(36,878)	11,414
Deferred revenue	99,214	(1,707)
Net Cash Provided (Used) By Operating Activities	(160,635)	857,531
 Cash flows from Investing Activities		
Purchases of property and equipment	(8,471)	(30,281)
 Net Increase (Decrease) in Cash and Cash Equivalents	(169,106)	827,250
 Cash and Cash Equivalents at Beginning of Year	1,575,672	748,422
 Cash and Cash Equivalents at End of Year	\$ 1,406,566	\$ 1,575,672

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

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021 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, 2022 and 2021

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 did not received donated services in 2022 and 2021.

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.

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 MCN filed prior to fiscal year 2018 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.

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. 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.

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Notes to the Financial Statements
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Note 1: Summary of Significant Accounting Policies (Continued)

O. Adoption of New Accounting Standards (Continued)

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.

P. Subsequent Events

Subsequent events were evaluated through October 5, 2023, which is the date the financial statements were available to be issued.

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, 2022 or 2021. 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:

	<u>2022</u>	<u>2021</u>
Less Than One Year	\$ 1,161,481	\$ 307,160
One to Five Years	<u>175,000</u>	<u>270,000</u>
Total Grants Receivable	<u>\$ 1,336,481</u>	<u>\$ 577,160</u>

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.

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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, 2022 and 2021.

Bonds, Equity Index Funds, Short-term Reserves, and Stocks - 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, 2022		
Bonds	\$ 110,570	\$ 110,570
Equity index funds	50,973	50,973
Short-term reserves	530,173	530,173
Stocks	258,456	258,456
Total	\$ 950,172	\$ 950,172
December 31, 2021		
Bonds	\$ 127,329	\$ 127,329
Equity index funds	62,353	62,353
Short-term reserves	522,068	522,068
Stocks	340,291	340,291
Total	\$ 1,052,041	\$ 1,052,041

Unrealized gains (losses) of \$(117,525) and \$74,124 were recognized during the years ended December 31, 2022 and 2021, respectively.

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Note 5: 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 and recognized as revenue in 2021.

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). In November 2021, the loan was forgiven 100 percent and recognized as revenue in 2022.

Note 6: 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, 2024. Borrowings under the line of credit bear interest at 4%. 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, 2022 or 2021.

Note 7: Leases

MCN leases office space under an operating lease, which expires January 31, 2024. The agreement calls for monthly lease payments of \$18,877, which includes utilities, real estate taxes, and insurance. This amount will increase in November 2022 and annually thereafter. Rent expense was \$247,939 and \$234,743 for the years ended December 31, 2022 and 2021, respectively. MCN also has several non-cancelable operating equipment leases that expire at various dates through 2024.

As disclosed in Note 1, the Organization adopted FASB ASC 842, effective January 1, 2022, using a modified retrospective approach. As a result, the Organization was required to recognize a ROU asset and corresponding lease liability on the face of the statement of financial position for the year ended December 31, 2022. As the standard was implemented using a modified retrospective approach, the balance sheet as of December 31, 2021, was not impacted.

As noted above, the Organization's lease agreement calls for variable payments that were not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities. Variable lease payments incurred will be recognized during the year they are incurred as an operating expense.

The ROU lease asset and corresponding lease liability were calculated utilizing a risk-free discount rate of 2.333%, according to the Organization's elected policy. The Organization's lease agreement does not contain any material residual

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Note 7: Leases (Continued)

Additional information about the Organization's lease for the year ended December 31, 2022, is as follows:

Lease expense (included in operating expenses)	
Finance lease expense	
Amortization of ROU assets	\$ 3,436
Interest on lease liabilities	283
Operating lease expense	229,564
Variable lease expense	4,181
	<u>4,181</u>
Total Lease Expense:	<u><u>\$ 237,464</u></u>
Other Information	
(Gains) losses on sale-leaseback transactions, net	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	\$ 282
Financing cash flows from finance leases (i.e. principal portion)	3,592
Operating cash flows from operating leases	225,383
ROU assets obtained in exchange for new finance lease liabilities	27,792
ROU assets obtained in exchange for new operating lease liabilities	466,526
Weighted-average remaining lease term in years for operating leases	2
Weighted-average discount rate for operating leases	2.47%

Maturities of operating lease liabilities are as follows:

Year Ended December 31,	Amount
2023	\$ 510,346
2024	26,785
Thereafter	10,820
Total undiscounted cash flows	<u>547,951</u>
Less: present value discount	<u>(36,584)</u>
Total Lease Liabilities	<u><u>\$ 511,367</u></u>

Future minimum payments for leases under ASU 840 as of December 31, 2022 are as follows:

Years Ending December 31,	Amount
2023	\$ 266,111
2024	252,874
Total	<u><u>\$ 518,985</u></u>

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Note 8: Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Minnesota Budget Project	\$ 681,250	\$ 649,900
Public Policy	120,000	240,000
Regional Chapters	75,000	150,000
Time Restricted	60,000	373,500
Workshops	-	10,000
	<u> </u>	<u> </u>
Total Net Assets with Donor Restrictions	<u>\$ 936,250</u>	<u>\$ 1,423,400</u>

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

	<u>2022</u>	<u>2021</u>
Minnesota Budget Project	\$ 728,650	\$ 634,267
Public Policy	595,000	140,000
Time Restricted	446,500	170,500
Regional Chapters	180,000	140,000
Binger Awards	60,000	60,000
Workshops	10,000	10,000
Board Repair	-	43,105
	<u> </u>	<u> </u>
Total Released Net Assets	<u>\$ 2,020,150</u>	<u>\$ 1,197,872</u>

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: 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 \$85,966 and \$83,524 for the years ended December 31, 2022 and 2021, respectively.

Minnesota Council of Nonprofits, Inc.
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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:

	2022	2021
Cash and cash equivalents	\$ 1,406,566	\$ 1,575,672
Accounts receivable	87,756	75,173
Grants receivable	1,336,481	577,160
Investments	950,172	1,052,041
Total Financial Assets	3,780,975	3,280,046
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, anti-racism award	(9,000)	(9,000)
Total Board-designated Amounts	(355,933)	(355,933)
Donor-restricted amounts	(562,750)	(1,049,900)
Total Unavailable for General Expenditure Within One Year	(918,683)	(1,405,833)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,862,292	\$ 1,874,213

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, Inc. 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.

Note 12: Union

Six employees at the Minnesota Council of Nonprofits, Inc. announced their intention to unionize on March 9, 2021. On May 7, 2021, after an election administered by the National Labor Relations Board, The Minnesota Newspaper and Communications Guild (TNG-CWA) Local 37002 was certified as the employees' representative. Members of MCN's management team and the union began collective bargaining negotiations for an initial contract on July 28, 2021 and held eight bargaining sessions that year. In 2022, an agreement was reached, and a contract was signed on January 6, 2023. This contract expires December 31, 2025.