

# **FINANCIAL STATEMENTS**

MINNESOTA COUNCIL OF NONPROFITS, INC.  
ST. PAUL, MINNESOTA

FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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  
September 12, 2024



## FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.  
Statements of Financial Position  
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,362,435	\$ 1,406,566
Accounts receivable	91,949	87,756
Grants receivable, short-term	546,256	1,161,481
Inventory	2,898	8,858
Prepaid expenses	49,155	38,920
Total Current Assets	3,052,693	2,703,581
Property and Equipment		
Furniture, equipment and software	1,405,850	1,442,206
Accumulated depreciation	(1,238,963)	(1,178,028)
Total Property and Equipment, Net	166,887	264,178
Other Noncurrent Assets		
Investments	1,032,606	950,172
Grants receivable, long-term	150,000	175,000
Unemployment funds held by others	46,054	38,090
Security deposit	6,517	6,517
Financing lease right-of-use, net of amortization	16,631	31,648
Operating lease right-of-use, net of amortization	227,490	475,412
Total Other Noncurrent Assets	1,479,298	1,676,839
Total Assets	\$ 4,698,878	\$ 4,644,598

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

Minnesota Council of Nonprofits, Inc.  
Statements of Financial Position (Continued)  
December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 51,172	\$ 53,582
Accrued expenses	49,916	61,841
Deferred revenue	236,355	261,067
Current portion of financing lease liabilities	6,360	7,355
Current portion of operating lease liabilities	242,526	229,828
Total Current Liabilities	586,329	613,673
Long- Term Liabilities		
Long-term portion of financing lease liabilities	10,587	24,420
Long-term portion of operating lease liabilities	20,532	249,764
Total Long- Term Liabilities	31,119	274,184
Total Liabilities	617,448	887,857
Net Assets		
Net assets without donor restriction		
Undesignated, available for general activities	1,820,330	1,693,319
Invested in furniture, equipment and software	411,008	771,239
Board designated reserve fund	701,509	346,933
Board designated, anti-racism award	9,000	9,000
Total net assets without donor restriction	2,941,847	2,820,491
Net assets with donor restriction	1,139,583	936,250
Total Net Assets	4,081,430	3,756,741
Total Liabilities and Net Assets	\$ 4,698,878	\$ 4,644,598

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 5,866	\$ -	\$ 5,866
Grants	253,636	1,350,000	1,603,636
Total Support	<u>259,502</u>	<u>1,350,000</u>	<u>1,609,502</u>
Revenue			
Membership dues	1,140,804	-	1,140,804
Workshops and conferences	327,741	-	327,741
Sponsorships and marketing	364,545	-	364,545
Annual conference	223,594	-	223,594
Publications	53,621	-	53,621
VISTA cost-share	49,000	-	49,000
Honoraria and consulting	65,141	-	65,141
Investment gain	138,139	-	138,139
Interest income	54,018	-	54,018
Other revenue	16,976	-	16,976
Total Revenue	<u>2,433,579</u>	<u>-</u>	<u>2,433,579</u>
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	1,146,667	(1,146,667)	-
Total Support and Revenue	<u>3,839,748</u>	<u>203,333</u>	<u>4,043,081</u>
Expenses			
Program Services			
Education	973,409	-	973,409
Public policy and civic engagement	378,596	-	378,596
Member services	409,919	-	409,919
VISTA	168,431	-	168,431
Research	542,290	-	542,290
Advocacy	266,046	-	266,046
Total Program Services	<u>2,738,691</u>	<u>-</u>	<u>2,738,691</u>
Supporting Services			
Management and general	823,731	-	823,731
Fundraising	155,970	-	155,970
Total Supporting Services	<u>979,701</u>	<u>-</u>	<u>979,701</u>
Total Expenses	<u>3,718,392</u>	<u>-</u>	<u>3,718,392</u>
Change in Net Assets	121,356	203,333	324,689
Net Assets, Beginning of the Year	<u>2,820,491</u>	<u>936,250</u>	<u>3,756,741</u>
Net Assets, End of the Year	<u>\$ 2,941,847</u>	<u>\$ 1,139,583</u>	<u>\$ 4,081,430</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, 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	854,072	1,533,000	2,387,072
Revenue			
Membership dues	1,074,912	-	1,074,912
Workshops and conferences	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	2,029,680	-	2,029,680
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	2,020,150	(2,020,150)	-
Total Support and Revenue	4,903,902	(487,150)	4,416,752
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	3,091,383	-	3,091,383
Supporting Services			
Management and general	708,518	-	708,518
Fundraising	225,162	-	225,162
Total Supporting Services	933,680	-	933,680
Total Expenses	4,025,063	-	4,025,063
Change in Net Assets	878,839	(487,150)	391,689
Net Assets, Beginning of the Year	1,941,652	1,423,400	3,365,052
Net Assets, End of the Year	\$ 2,820,491	\$ 936,250	\$ 3,756,741

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, 2023

	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	\$ 363,086	\$ 210,208	\$ 191,098	\$ 95,549	\$ 305,757	\$ 152,878	\$ 1,318,576	\$ 496,855	\$ 95,549	\$ 1,910,980
Employee benefits	65,292	37,801	34,364	17,182	54,983	27,492	237,114	89,347	17,182	343,643
Payroll taxes	26,252	15,199	13,817	6,908	22,107	11,053	95,336	35,924	6,908	138,168
Total Personnel Expenses	454,630	263,208	239,279	119,639	382,847	191,423	1,651,026	622,126	119,639	2,392,791
Expenses										
Bad debt	-	-	-	-	-	-	-	1,282	-	1,282
Bank/merchant fees	8,224	4,761	4,329	2,164	6,926	3,463	29,867	11,254	2,164	43,285
Board retreat	1,391	226	206	103	329	164	2,419	1,370	103	3,892
Consultants	37,437	31,479	51,627	9,941	41,193	15,596	187,273	30,893	5,941	224,107
Dues, subscriptions and advertising	3,575	9,850	2,972	941	9,972	4,986	32,296	4,893	941	38,130
Equipment	-	-	-	-	-	-	-	11,442	-	11,442
Grants and allocations	75	5,000	31,004	-	10,000	5,000	51,079	-	-	51,079
Insurance	2,087	1,208	1,098	549	1,757	879	7,578	2,855	549	10,982
Travel & meeting expenses	8,284	5,484	9,759	1,190	5,786	2,795	33,298	5,592	1,045	39,935
Occupancy	53,775	31,133	28,303	14,151	45,284	22,642	195,288	73,587	14,151	283,026
Postage and shipping	3,806	898	5,213	354	1,264	632	12,167	1,843	354	14,364
Printing and publication	11,997	1,085	9,358	493	1,579	789	25,301	2,565	493	28,359
Professional development	891	558	1,190	215	687	344	3,885	1,186	215	5,286
Software	16,758	10,110	8,524	4,514	15,106	7,553	62,565	22,162	4,262	88,989
Supplies	1,117	647	593	294	940	470	4,061	423	294	4,778
Telephone and internet	4,381	2,094	1,903	952	3,045	1,523	13,898	4,949	952	19,799
VISTA	-	-	-	7,786	-	-	7,786	-	-	7,786
Workshop and conference	346,496	153	4,832	280	8	4	351,773	13	3	351,789
Total Expenses Before Depreciation	954,924	367,894	400,190	163,566	526,723	258,263	2,671,560	798,435	151,106	3,621,101
Depreciation	18,485	10,702	9,729	4,865	15,567	7,783	67,131	25,296	4,864	97,291
Total Expenses	\$ 973,409	\$ 378,596	\$ 409,919	\$ 168,431	\$ 542,290	\$ 266,046	\$ 2,738,691	\$ 823,731	\$ 155,970	\$ 3,718,392

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, 2022

	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	\$ 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
<b>Total Personnel Expenses</b>	<b>535,647</b>	<b>253,751</b>	<b>185,528</b>	<b>97,267</b>	<b>320,397</b>	<b>188,005</b>	<b>1,580,595</b>	<b>506,081</b>	<b>165,489</b>	<b>2,252,165</b>
<b>Expenses</b>										
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, subscriptions and advertising	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
Travel & meeting expenses	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
<b>Total Expenses Before Depreciation</b>	<b>1,041,216</b>	<b>765,255</b>	<b>323,882</b>	<b>154,955</b>	<b>459,122</b>	<b>265,815</b>	<b>3,010,245</b>	<b>682,570</b>	<b>216,667</b>	<b>3,909,482</b>
Depreciation	27,497	13,026	9,524	4,993	16,447	9,651	81,138	25,948	8,495	115,581
<b>Total Expenses</b>	<b>\$ 1,068,713</b>	<b>\$ 778,281</b>	<b>\$ 333,406</b>	<b>\$ 159,948</b>	<b>\$ 475,569</b>	<b>\$ 275,466</b>	<b>\$ 3,091,383</b>	<b>\$ 708,518</b>	<b>\$ 225,162</b>	<b>\$ 4,025,063</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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 324,689	\$ 391,689
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	97,291	115,581
Net realized and unrealized investment gain	138,139	101,869
Amortization of finance right-of-use asset	15,017	-
Amortization of operating right-of-use asset	247,922	-
Bad debt	1,282	859
Lease standard implementation loss	-	4,307
(Increase) decrease in assets:		
Accounts receivable	(5,475)	(13,442)
Grants receivable	640,225	(759,321)
Inventory	5,960	(3,186)
Prepaid expenses	(10,235)	(13,000)
Unemployment funds held by others	(7,964)	22,649
Increase (decrease) in liabilities:		
Accounts payable	(2,410)	(70,976)
Accrued expenses	(11,925)	(36,878)
Deferred revenue	(24,712)	99,214
Operating lease liabilities	(216,534)	-
Net Cash Provided (Used) By Operating Activities	1,191,270	(160,635)
Cash flows from Investing Activities		
Purchases of property and equipment	-	(8,471)
Proceeds from sales of investments	151,182	-
Purchases of investments	(371,755)	-
Net Cash Provided (Used) by Investing Activities	(220,573)	(8,471)
Cash Flows from Financing Activities		
Payment on finance lease liabilities	(14,828)	-
Net Increase (Decrease) in Cash and Cash Equivalents	955,869	(169,106)
Cash and Cash Equivalents at Beginning of Year	1,406,566	1,575,672
Cash and Cash Equivalents at End of Year	\$ 2,362,435	\$ 1,406,566

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

Minnesota Council of Nonprofits, Inc.  
Notes to the Financial Statements  
December 31, 2023 and 2022

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

**A. Nature of Activities**

Minnesota Council of Nonprofits, Inc. (MCN or the Organization) 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.

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, 2023 and 2022

**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 credit losses. This method provides allowances for credit losses based on historical experience and management's evaluation of estimated losses that will be incurred in the collection of receivables. The allowance for credit losses for the years ended December 31, 2023 and 2022 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 \$5,000 or more are capitalized.

**H. 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.

**I. 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, 2023 and 2022

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

**J. Revenue Recognition**

MCN follows the provisions of Accounting Standards Codification 606, Contracts with Customers on revenues derived from its membership dues, workshop and conference, consulting, publications, sponsorship and marketing and VISTA cost share. In the case of membership dues, revenue is recognized over the membership period, during the first month of each member's membership period, which is over a period of time. In the case of workshops and conferences, revenue is recognized at the time the event(s) is held, which is at a point in time.

In the case of consulting, publications, sponsorship and marketing and VISTA cost share, revenue is recognized at when it is earned, which is at a point in time.

**Performance Obligations**

The performance obligation related to the membership dues is satisfied over the membership period; during the first month of each member's membership period, therefore the Organization recognizes revenue over a period of time. The performance obligation related to the workshops and conferences, is satisfied upon completion of the event; therefore, the Organization recognizes revenue at a point in time. The performance obligation related to the consulting, publications, sponsorship and marketing and VISTA cost share is satisfied when earned; therefore, the Organization recognizes revenue at a point in time.

**Contract Balances**

Deferred revenue consists of payments received in advance that relate to membership dues received before the renewal period and amounts relating to events and contracts received before the event or work takes place. All deferred revenue is classified as current and will be recognized over the next year. Deferred revenue consist of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Membership dues	\$ 122,375	\$ 191,325	\$ 123,301
Events	52,347	64,409	33,219
Consulting	<u>61,633</u>	<u>5,333</u>	<u>5,333</u>
Total Contract Liabilities	<u>\$ 236,355</u>	<u>\$ 261,067</u>	<u>\$ 161,853</u>

Billing primary occurs concurrently with revenue recognition. Accounts receivables are reported at the amount MCN expects to collect on balances outstanding at period end. Accounts receivable included in statement of financial position represents all amounts billed. Contract assets consist of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Trade receivables	<u>\$ 91,949</u>	<u>\$ 87,756</u>	<u>\$ 75,296</u>

The organization's other revenues are explicitly excluded from the scope of ASC Topic 606 and are not recorded in accordance with that standard.

The Organization follows FASB Accounting Standards Codification 958-605, Revenue Recognition for Not-for-Profit Entities for contributions, grants, and other similar revenues. Revenue is recognized when the contribution is received, and contributions received are recorded as donor restricted support or unrestricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted support.

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**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 2023 and 2022.

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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 2016-13" or ASC 326"). Which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.



Minnesota Council of Nonprofits, Inc.  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**P. Subsequent Events**

Subsequent events were evaluated through September 12, 2024, which is the date the financial statements were available to be issued.

**Note 2: Unemployment Funds Held by Others**

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, 2023 or 2022. 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:

	2023	2022
Less than one year	\$ 546,256	\$ 1,161,481
One to five years	150,000	175,000
Total grants receivable	\$ 696,256	\$ 1,336,481

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.

**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.

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**Note 4: Fair Value Measurements (Continued)**

**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, 2023 and 2022.

*Fixed income, 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, 2023		
Fixed income	\$ 230,312	\$ 230,312
Equity index funds	56,347	56,347
Short-term reserves	194,506	194,506
Stocks	551,441	551,441
	<u>551,441</u>	<u>551,441</u>
Total	<u>\$ 1,032,606</u>	<u>\$ 1,032,606</u>
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
	<u>258,456</u>	<u>258,456</u>
Total	<u>\$ 950,172</u>	<u>\$ 950,172</u>

Investment income is as follows for the years ended December 31:

	2023	2022
Realized gains (losses)	\$ 104,033	\$ (117,525)
Unrealized gains (losses)	34,106	16,769
	<u>34,106</u>	<u>16,769</u>
Total Investment Income	<u>\$ 138,139</u>	<u>\$ (100,756)</u>

**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, 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, 2023 or 2022.

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**Note 6: Leases**

MCN leases office space under an operating lease, which expires January 31, 2025. 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 \$283,026 and \$247,939 for the years ended December 31, 2023 and 2022, respectively. MCN also has several non-cancelable operating equipment leases that expire at various dates through 2024.

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 according to the Organization's elected policy. The Organization's lease agreement does not contain any material residual value on the lease.

Additional information about the Organization's lease for the year ended December 31, 2023, is as follows:

Lease expense (included in operating expenses)	2023	2022
Finance lease expense		
Amortization of ROU assets	\$ 15,017	\$ 3,436
Interest on lease liabilities	561	283
Operating lease expense	213,004	229,564
Variable lease expense	-	4,181
	\$ 228,582	\$ 237,464

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)

    Financing cash flows from finance leases (i.e. principal portion)

    Operating cash flows from operating leases

Weighted-average remaining lease term in years for finance leases

Weighted-average remaining lease term in years for operating leases

Weighted-average discount rate for finance leases

Weighted-average discount rate for operating leases

\$ 578

14,828

247,922

2.63

1.08

2.76%

2.47%

Maturities of operating lease liabilities are as follows:

Year Ended December 31,	Finance	Operating
2024	\$ 6,730	\$ 245,791
2025	6,492	20,532
Thereafter	4,327	-
Total undiscounted cash flows	17,549	266,323
Less: present value discount	(602)	(3,265)
Total Lease Liabilities	\$ 16,947	\$ 263,058

Minnesota Council of Nonprofits, Inc.  
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**Note 7: Net Assets with Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 625,000	\$ 60,000
Minnesota Budget project	474,583	681,250
Regional chapters	30,000	75,000
Special projects	10,000	-
Public policy	-	120,000
	<u>          </u>	<u>          </u>
Total Net Assets with Donor Restrictions	<u>\$ 1,139,583</u>	<u>\$ 936,250</u>

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

	<u>2023</u>	<u>2022</u>
Minnesota Budget project	\$ 645,667	\$ 728,650
Regional chapters	167,000	180,000
Public policy	120,000	595,000
Special projects	99,000	-
Binger awards	65,000	60,000
Time restricted	35,000	446,500
Workshops	15,000	10,000
	<u>          </u>	<u>          </u>
Total Released Net Assets	<u>\$ 1,146,667</u>	<u>\$ 2,020,150</u>

**Note 8: 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 \$97,590 and \$85,966 for the years ended December 31, 2023 and 2022, respectively.

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**Note 9: 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:

	2023	2022
Cash and cash equivalents	\$ 2,362,435	\$ 1,406,566
Accounts receivable	91,949	87,756
Grants receivable	696,256	1,336,481
Investments	1,032,606	950,172
Total Financial Assets	4,183,246	3,780,975
Less those unavailable for general expenditure within one year, due to:		
Contractual or board-imposed restrictions:		
Board designated reserve fund	(701,509)	(346,933)
Board designated, anti-racism award	(9,000)	(9,000)
Total Board-designated Amounts	(710,509)	(355,933)
Donor-restricted amounts	(1,079,583)	(562,750)
Total Unavailable for General Expenditure Within One Year	(1,790,092)	(918,683)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,393,154	\$ 2,862,292

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 10: 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.