Consolidated Financial Statements
December 31, 2011

Minnesota Council of Nonprofits and Subsidiary

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

We have audited the accompanying consolidated statement of financial position of Minnesota Council of Nonprofits (MCN) and Subsidiary (the Organizations) as of December 31, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year unconsolidated summarized information has been derived from MCN's 2010 financial statements, and in our report dated April 5, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations, as of December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 15 through 16 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies. These consolidating schedules are the responsibility of the Organizations' management. Accordingly, we do not express an opinion on the financial position and changes in net assets of the individual companies.

Eide Bailly LLP

Minneapolis, Minnesota
May 9, 2012

	2011 (Consolidated)	2010 (Unconsolidated)
Assets		
Current Assets		
Cash and cash equivalents	$ 761,056	$ 1,243,369
Investments	13,617	13,353
Accounts receivable	18,578	36,847
Unconditional promises to give (due within 12 months)	798,531	850,000
Inventory	11,370	34,327
Prepaid expenses and other assets	58,852	39,337
Total current assets	1,662,004	2,217,233
Furniture, Equipment and Software, Net of Accumulated Depreciation	275,382	277,210
Other Assets		
Unconditional promises to give, net of current (due after 12 months)	-	305,970
Intangible asset, net of accumulated amortization	226,166	-
Total other assets	226,166	305,970
Total assets	$ 2,163,552	$ 2,800,413
Liabilities and Net Assets		
Current Liabilities		
Note payable to bank	$ 29,500	$ -
Accounts payable	36,106	78,520
Accrued expenses	33,429	30,686
Acquisition cost payable	100,000	-
Deferred revenue	80,620	137,123
Total current liabilities	279,655	246,329
Net Assets		
Unrestricted		
Undesignated, available for general activities	2,826	159,899
Undesignated, Nonprofit Insurance Advisors	(41,796)	-
Invested in furniture, equipment and software	275,382	277,210
Board designated operating reserve	324,224	358,218
Board designated for anti-racism award	10,000	10,000
Total unrestricted	570,636	805,327
Temporarily restricted	1,313,261	1,748,757
	1,883,897	2,554,084
	$ 2,163,552	$ 2,800,413

See Notes to Consolidated Financial Statements

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2011 (with Unconsolidated Totals for 2010)

	2011 (Consolidated)	2010 (Unconsolidated)
Unrestricted Revenues and Other Support		
Public support and revenue		
Contributions and grants	$ 50,610	$ 93,466
Net assets released from restrictions	1,293,626	1,406,348
Total public support	1,344,236	1,499,814
Revenue		
Membership dues	597,176	574,786
Workshops and education	345,266	388,559
Annual conference	249,862	179,275
Publications	26,610	16,459
Honoraria and consulting income	33,108	60,638
Sponsorships and other marketing	198,797	221,544
Commission income	3,327	-
Investment income	3,103	7,097
Miscellaneous income	16,348	4,021
Total revenue	1,473,597	1,452,379
Total public support and revenue	2,817,833	2,952,193
Expenses		
Program services		
Education	955,936	803,621
Public policy & civic engagement	779,241	1,045,727
Member services	440,764	398,091
Research	249,308	207,399
Advocacy	172,278	150,542
Nonprofit Insurance Advisors	45,123	-
Total program services	2,642,650	2,605,380
Supporting services		
Management and general	323,159	293,045
Fundraising	82,685	106,521
Total supporting services	405,844	399,566
Total program and supporting services expenses	3,048,494	3,004,946
Change in Unrestricted Net Assets	(230,661)	(52,753)
Temporarily Restricted Net Assets		
Contributions and grants	854,100	2,140,105
Net assets released from restrictions	(1,293,626)	(1,406,348)
Change in Temporarily Restricted Net Assets	(439,526)	733,757
Total Change in Net Assets	(670,187)	681,004
Net Assets, Beginning of Year	2,554,084	1,873,080
Net Assets, End of Year	$ 1,883,897	$ 2,554,084

	2011				
	Program Services				
	Education	Public Policy & Civic Engagement	Member Services	Research	Advocacy
Salaries, Taxes and Benefits	$ 365,847	$ 339,109	$ 280,510	$ 194,532	$ 116,239
Consulting Fees	93,482	249,398	24,884	5,541	15,248
Office Rent	25,890	23,998	19,851	13,767	8,226
Office Supplies	8,129	3,396	3,450	1,927	1,320
Telephone	2,039	7,494	4,183	995	1,668
Postage	19,637	1,183	15,719	-	-
Printing and Publishing	48,869	17,128	20,475	5,796	3,995
Dues and Subscriptions	2,916	3,630	2,807	1,735	1,900
Advertising/Promotion	-	1,319	100	50	125
Bank/Merchant Fees	11,605	-	5,802	-	-
Equipment	1,763	1,883	1,510	1,296	810
Computers/Software	15,086	14,947	23,208	10,181	5,972
Insurance	-	-	-	-	-
Staff Training	923	1,663	1,479	1,325	1,128
Board Retreat	-	-	-	-	-
Workshop Expenses	163,733	23	7,822	-	-
Leadership Institute Expense	1,221	-	-	-	-
Travel	15,731	46,413	10,416	2,788	4,400
Meeting Expenses	20,296	19,575	7,069	1,700	6,218
Event Translation	4,502	443	-	-	443
Annual Conference	135,019	-	-	-	-
Miscellaneous	4,533	427	964	383	229
Interest Expense	-	-	-	-	-
Grants and Allocations	1,000	34,500	-	-	-
Total expenses before depreciation	942,221	766,529	430,249	242,016	167,921
Depreciation/Amortization	13,715	12,712	10,515	7,292	4,357
	$ 955,936	$ 779,241	$ 440,764	$ 249,308	$ 172,278

Minnesota Council of Nonprofits and Subsidiary

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2011 (with Unconsolidated Totals for 2010)

2011					2010	
Nonprofit Insurance Advisors	Total Program Services	Management and General	Fundraising	Total Expenses	Total Expenses	
$ 25,364	$ 1,321,601	$ 239,362	$ 65,484	$ 1,626,447	$ 1,589,554	Salaries, taxes and benefits
1,214	389,767	16,289	1,234	407,290	361,150	Consulting fees
1,198	92,930	16,939	4,634	114,503	130,198	Office rent
4,757	22,979	2,314	618	25,911	16,286	Office supplies
637	17,016	1,356	297	18,669	17,832	Telephone
-	36,539	621	318	37,478	53,604	Postage
-	96,263	1,415	701	98,379	84,194	Printing and publishing
-	12,988	2,408	509	15,905	15,220	Dues and subscriptions
905	2,499	-	-	2,499	1,713	Advertising
478	17,885	-	1,934	19,819	16,737	Bank/merchant fees
-	7,262	1,153	315	8,730	11,232	Equipment
4,261	73,655	9,735	2,663	86,053	78,282	Software
1,065	1,065	3,723	-	4,788	3,279	Insurance
-	6,518	1,100	187	7,805	4,398	Staff training
-	-	6,330	-	6,330	5,557	Board retreat
-	171,578	-	-	171,578	172,210	Workshop expenses
-	1,221	-	-	1,221	35,648	Leadership Institute expense
32	79,780	6,611	733	87,124	97,575	Travel
79	54,937	3,479	279	58,695	32,012	Meeting expenses
-	5,388	-	-	5,388	3,255	Event translation
-	135,019	-	-	135,019	64,670	Annual conference
680	7,216	1,319	324	8,859	8,221	Miscellaneous
619	619	32	-	651	421	Interest expense
-	35,500	-	-	35,500	160,338	Grants and allocations
41,289	2,590,225	314,186	80,230	2,984,641	2,963,586	Total expenses before depreciation
3,834	52,425	8,973	2,455	63,853	41,360	Depreciation
$ 45,123	$ 2,642,650	$ 323,159	$ 82,685	$ 3,048,494	$ 3,004,946	
	87%	11%	3%	100%		

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011 (with Unconsolidated Totals for 2010)

	2011 (Consolidated)	2010 (Unconsolidated)
Operating Activities		
Change in net assets	$ (670,187)	$ 681,004
Adjustments to reconcile increase in net assets to net cash		
Depreciation	60,019	41,359
Amortization of intangible asset	3,834	-
Unrealized gain on investments	(264)	(1,725)
Changes in assets and liabilities		
Accounts receivable	18,269	(3,844)
Unconditional promises to give	357,439	(852,220)
Inventory	22,957	(27,085)
Prepaid expenses and other assets	(19,515)	(5,475)
Accounts payable	(42,414)	(36,530)
Accrued expenses	2,743	(8,589)
Deferred revenue	(56,503)	87,981
Net Cash used for Operating Activities	(323,622)	(125,124)
Investing Activities		
Purchase of property and equipment	(58,191)	(83,505)
Purchase of book of business	(130,000)	-
Net Cash used for Investing Activities	(188,191)	(83,505)
Financing Activities		
Borrowings on line of credit	106,500	45,017
Payments on line of credit	(77,000)	(45,017)
Net Cash from Financing Activities	29,500	-
Net Change in Cash and Cash Equivalents	(482,313)	(208,629)
Cash and Cash Equivalents, Beginning of Year	1,243,369	1,451,998
Cash and Cash Equivalents, End of Year	$ 761,056	$ 1,243,369
Non-Cash Investing Activities		
Property and equipment included in accounts payable	$ -	$ 3,376
Acquisition of book of business included in accounts payable	100,000.00	-

Note 1 - Nature of Organizations and Summary of Significant Accounting Policies

Nature of Organizations

Minnesota Council of Nonprofits (MCN) is incorporated under the Minnesota Nonprofit Corporation Act. MCN offers educational, public policy, research and advocacy activities to help nonprofit 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 additional information on issues faced by nonprofit organizations and their staff and Board members.

Public Policy & 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 in Minnesota through Minnesota Participation Project and over five other states through the Nonprofit Voter Engagement Network; 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.

Research – Conducts nonpartisan research and prepares reports on the nonprofit economy and public role of nonprofit organizations. Analyzes public policies affecting the nonprofit sector, including the impact of budget and tax policies on low-income people.

Advocacy – Undertakes direct and grassroots lobbying campaigns that address specific legislative proposals affecting nonprofit organizations and the communities they serve. MCN has elected to report its expenditures for lobbying in accordance with Section 501(h) of the Internal Revenue Code.

Nonprofit Insurance Advisors (NIA) is incorporated under the Minnesota Nonprofit Corporation Act and is a taxable subsidiary of Minnesota Council of Nonprofit. Nonprofit Insurance Advisors was incorporated on September 19, 2011, and started operations on November 1, 2011. Nonprofit Insurance Advisors serves the insurance needs of nonprofit organizations by identifying and brokering appropriate and cost-effective coverage.

Principles of Consolidation

The consolidated financial statements include the accounts of Minnesota Council of Nonprofits and Nonprofit Insurance Advisors (the Organizations), a wholly owned subsidiary in which Minnesota Council of Nonprofits is the only Member. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organizations are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organizations are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organizations. The Organizations have no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organizations considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC limits.

Investments

The Organizations classify their securities as available-for-sale and the available-for-sale securities are recorded at fair value. Fair value is determined at a specific point in time, based on quoted market prices. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair value and cost respectively.

A decline in the market value of any available-for-sale security below cost that is deemed other than temporary, results in a charge to earnings and the establishment of a new cost basis for the security. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield using the effective interest method and prepayment assumptions. Dividend and interest income are recognized when earned.

Gains and losses on sales of investment securities are recognized on the settlement date, based on the amortized cost of the specific security. The financial statement impact of settlement date accounting versus trade date is immaterial.

Receivables

Receivables are stated at net realizable value. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organizations use 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. No allowance was deemed necessary for the year ended December 31, 2011.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market.

Equipment

Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Equipment acquisitions in excess of $1,000 are capitalized and recorded at cost. Depreciation of equipment is provided using the straight-line method over its estimated useful life. The estimated useful lives of equipment are as follows:

Furniture and equipment	3 - 5 years
Computer software	3 - 9 years

The Organizations review their property and equipment for impairment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. The amount of the loss is determined by comparing the fair market values of the asset to the carrying amount of the asset.

Support Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Intangible Assets

An intangible asset with a finite life consists of the purchase of the book of business to form Nonprofit Insurance Advisors, and is carried at cost less accumulated amortization. The Organizations amortize the cost of identifiable intangible assets on a straight-line basis over the expected period of benefit, which is ten years.

Donated Services and Supplies

Non-cash donations are reflected as unrestricted support in the financial statements at their estimated values on the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*, 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. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for ASC 958 is not met.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-exempt Status

Minnesota Council of Nonprofits has been recognized by the Internal Revenue Service as a tax-exempt nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes is required. In addition, MCN qualifies for the charitable contribution deduction under Section 170(c) and as an organization other than a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi).

The Organizations have adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The implementation of this standard had no impact on the consolidated financial statements. As of both the date of adoption, and as of December 31, 2011, the unrecognized tax benefit accrual was zero.

The Organizations will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organizations are no longer subject to Federal tax examinations by tax authorities for years before 2008 and state examinations for years before 2008.

Income Taxes – Nonprofit Insurance Advisors

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus any deferred taxes related to any difference between the basis of assets and liabilities for financial and income tax reporting. At December 31, 2011, there were no deferred taxes reported.

2010 Financial Information

The consolidated financial statements include certain prior year unconsolidated summarized information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations' unconsolidated financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Fair Value Measurements

The Organizations have determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The investments held by the Organizations as of December 31, 2011, consisted entirely of Level 1 inputs:

	Quoted Prices in Active Markets (Level 1)
Equity fund	$ 13,617

Note 2 - Investments

Investments consist of an equity fund recorded at market value of $13,617 at December 31, 2011. An unrealized gain of $264 was recognized during the year ended December 31, 2011.

Note 3 - Furniture, Equipment and Software

The following is a summary of property and equipment at December 31, 2011:

Furniture, equipment and software	$ 576,626
Less accumulated depreciation	301,244
	$ 275,382

Note 4 - Intangible Assets

Intangible assets as of December 31, 2011 consisted of the following:

	Cost	Accumulated Amortization	Net
Balance, December 31, 2011			
Book of business	$ 230,000	$ (3,834)	$ 226,166

Amortization expense for the year ended December 31, 2011 was $3,834. Estimated future amortization expense related to this intangible asset is as follows:

Years Ending December 31,	Amount
2012	$ 23,000
2013	23,000
2014	23,000
2015	23,000
2016	23,000
Thereafter	111,166
	$ 226,166

Note 5 - Line of Credit

On June 15, 2011, Minnesota Council of Nonprofits entered into a revolving line of credit with Bremer Bank. The agreement provides for available borrowings of $100,000. The agreement matures June 1, 2012. Borrowings under the line of credit bear interest at 4.75%. 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, 2011.

On October 25, 2011, Nonprofit Insurance Advisors entered into a revolving line of credit with Bremer Bank. The agreement provides for available borrowings of $100,000. The agreement matures October 10, 2012. Borrowings under the line of credit bear interest at 4.75%. Borrowings are collateralized by all inventory, chattel paper, accounts, equipment and general intangibles. Amounts outstanding on the line totaled $29,500 as of December 31, 2011.

Note 6 - Leases

The Organizations lease office space under an operating lease, which expires January 31, 2015. The agreement calls for monthly payments of $8,804 for the year and includes utilities, real estate taxes and insurance. Rent expense was $113,306 for the year ended December 31, 2011.

The Organizations also have several noncancelable operating equipment leases that expire various dates through 2016.

In 2007, the Organizations began a noncancelable three-year lease for capitalized internet software that expired in November 2010. The lease was automatically renewed, with the same terms, and the lease agreement will remain in effect on a year to year basis until the Organizations terminates the contract at least 60 days prior to the end of the renewal term. The lease will expire on October 31, 2012.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2012	$ 153,000
2013	122,898
2014	126,278
2015	14,650
2016	5,326
	$ 422,152

Note 7 - Grants

In 2011, grants expense included $24,500 to 501(c)(3) nonprofit organizations in North Carolina, California and Ohio for the planning and implementation of statewide efforts to help nonprofits engage their communities in the 2011 census as well as the 2011 elections through nonpartisan voter and civic engagement activities, and $10,000 for minim-grants to 501(c)(3) organizations in Michigan that participated in research on the outcomes of nonpartisan voter and civic engagement activities. Additionally, $1,000 was granted to the recipients of the 2011 Nonprofit Mission Awards.

Note 8 - Retirement Plan

The Organizations have a defined contribution retirement plan covering all eligible employees. The contribution is at the discretion of the Board of Directors. Employees are eligible to participate in the plan after one month of service. Contributions to the plan were $62,310 for the year ended December 31, 2011.

Note 9 - Restrictions on Net Assets

Net assets were released by incurring expenses satisfying the restricted purposes specified by donors for the year ending December 31, 2011 as follows:

Minnesota Budget Project	$ 266,000
Minnesota Participation Project	80,000
Nonprofit Voter Engagement Network	336,212
Public Policy	344,500
Nonprofit Advocacy Institute	30,000
Nonprofit Advocacy Networks	10,417
Performance Management Institute	190,297
Workshops	1,500
Central Chapter	1,000
Publications	2,500
General operations	31,200
	$ 1,293,626

Temporarily restricted net assets consisted of the following at December 31, 2011:

Minnesota Budget Project	$ 314,750
Minnesota Participation Project	50,000
Nonprofit Voter Engagement Network	265,904
Public Policy	407,500
Performance Management Institute	144,207
Field Realignment Project	100,000
Central Chapter	2,500
Management Trainings for Nonprofits	18,400
General operations: future years	10,000
Less discount to net present value	-
	$ 1,313,261

Note 10 - Contingencies

Certain grants from donors are subject to audit by the donor. Such audits could result in claims against the Organizations for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Note 11 - Reduction in Net Assets

The Organizations had a reduction in unrestricted net assets of $230,661 in 2011. On March 20, 2012, the Minnesota Council of Nonprofits' Board approved the use of $35,000 of the Board designated operating reserve for operating activities in 2011.

Note 12 - 2011 Acquisition

On October 12, 2011, the Organizations acquired the book of nonprofit insurance agency business from Morse Agency, Inc. The acquisition-date fair value of the total consideration transferred was $230,000. Nonprofit Insurance Advisors paid $130,000 at closing using funds borrowed from Minnesota Council of Nonprofits. The remaining balance of $100,000 is recorded as an acquisition cost payable and is due on the one-year anniversary of the closing date. The operating results of the acquired business are reflected in the Organizations' consolidated financial statement from the acquisition date forward. The acquisition was made to continue to Organizations' growth strategy and diversify its offerings inside the nonprofit industry. The purchase price was determined based on an arms-length negotiation value. The transaction is being accounted for under the acquisition method of accounting, with the purchase price allocated to the asset acquired.

Note 13 - Subsequent Events

The Organizations have evaluated subsequent events through May 9, 2012, the date which the consolidated financial statements were available to be issued. The Organizations have determined that there were no subsequent events that met the criteria for recognition or disclosure.

Additional Information
December 31, 2011 and 2010

Minnesota Council of Nonprofits and Subsidiary

	Minnesota Council of Nonprofits	Nonprofit Insurance Advisors	Eliminations	Consolidated Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 756,309	$ 4,747	$ -	$ 761,056
Investments	13,617	-	-	13,617
Accounts receivable	29,337	-	(10,759)	18,578
Unconditional promises to give (due within 12 months)	798,531	-	-	798,531
Inventory	11,370	-	-	11,370
Prepaid expenses and other assets	54,238	4,614		58,852
Total current assets	1,663,402	9,361	(10,759)	1,662,004
Furniture, Equipment and Software, Net of Accumulated Depreciation	275,382	-	-	275,382
Other Assets				
Unconditional promises to give, net of current (due after 12 months)	-	-	-	-
Intangible asset, net of accumulated amortization	-	226,166	-	226,166
Note receivable - Nonprofit Insurance Advisors	129,194	-	(129,194)	-
Total other assets	129,194	226,166	(129,194)	226,166
Equity in Nonprofit Insurance Advisors	(41,796)	-	41,796	-
Total assets	$ 2,026,182	$ 235,527	$ (98,157)	$ 2,163,552
Liabilities and Net Assets				
Current Liabilities				
Note payable - MCN	$ -	$ 129,194	$ (129,194)	$ -
Note payable to bank	-	29,500	-	29,500
Accounts payable	30,605	5,501	-	36,106
Accrued expenses	31,060	2,369	-	33,429
Acquisition cost payable	-	100,000	-	100,000
Deferred revenue	80,620	-	-	80,620
Due to MCN	-	10,759	(10,759)	-
Total current liabilities	142,285	277,323	(139,953)	279,655
Net Assets				
Unrestricted				
Undesignated, available for general activities	2,826	-	-	2,826
Undesignated, Nonprofit Insurance Advisors	(41,796)	(41,796)	41,796	(41,796)
Invested in furniture, equipment and software	275,382	-	-	275,382
Board designated operating reserve	324,224	-	-	324,224
Board designated for anti-racism award	10,000	-	-	10,000
Total unrestricted	570,636	(41,796)	41,796	570,636
Temporarily restricted	1,313,261			1,313,261
	1,883,897	(41,796)	41,796	1,883,897
	$ 2,026,182	$ 235,527	$ (98,157)	$ 2,163,552

	Minnesota Council of Nonprofits	Nonprofit Insurance Advisors	Eliminations	Consolidated Total
Unrestricted Revenues and Other Support				
Public support and revenue				
Contributions and grants	$ 50,610	$ -	$ -	$ 50,610
Net assets released from restrictions	1,293,626	-	-	1,293,626
Total public support	1,344,236	-	-	1,344,236
Revenue				
Membership dues	597,176	-	-	597,176
Workshops and education	345,266	-	-	345,266
Annual conference	249,862	-	-	249,862
Publications	26,610	-	-	26,610
Honoraria and consulting income	33,108	-	-	33,108
Sponsorships and other marketing	198,797	-	-	198,797
Commission income	-	3,327	-	3,327
Investment income	3,103	-	-	3,103
Miscellaneous income	16,348	-	-	16,348
Equity in loss of Nonprofit Insurance Adviosors	(41,796)	-	41,796	-
Total revenue	1,428,474	3,327	41,796	1,473,597
Total public support and revenue	2,772,710	3,327	41,796	2,817,833
Expenses				
Program services				
Education	955,936	-	-	955,936
Public policy & civic engagement	779,241	-	-	779,241
Member services	440,764	-	-	440,764
Research	249,308	-	-	249,308
Advocacy	172,278	-	-	172,278
Nonprofit Insurance Advisors	-	45,123	-	45,123
Total program services	2,597,527	45,123	-	2,642,650
Supporting services				
Management and general	323,159	-	-	323,159
Fundraising	82,685	-	-	82,685
Total supporting services	405,844	-	-	405,844
Total program and supporting services expenses	3,003,371	45,123	-	3,048,494
Change in Unrestricted Net Assets	(230,661)	(41,796)	41,796	(230,661)
Temporarily Restricted Net Assets				
Contributions and grants	854,100	-	-	854,100
Net assets released from restrictions	(1,293,626)	-	-	(1,293,626)
Change in Temporarily Restricted Net Assets	(439,526)	-	-	(439,526)
Total Change in Net Assets	(670,187)	(41,796)	41,796	(670,187)
Net Assets, Beginning of Year	2,554,084	-	-	2,554,084
Net Assets, End of Year	$ 1,883,897	$ (41,796)	$ 41,796	$ 1,883,897