



Consolidated Financial Statements
December 31, 2012

Minnesota Council of Nonprofits and Subsidiary

Minnesota Council of Nonprofits and Subsidiary

Table of Contents
December 31, 2012

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements.....	7
Additional Information	
Consolidating Statement of Financial Position	15
Consolidating Statement of Activities and Changes in Net Assets.....	16



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Minnesota Council of Nonprofits and Subsidiary, Nonprofit Insurance Advisors (the Organization), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2012, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 15 and 16 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Minneapolis, Minnesota
May 8, 2013

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Financial Position
December 31, 2012 (with Comparative Totals for 2011)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 881,888	\$ 761,056
Investments	15,805	13,617
Accounts receivable	65,612	18,578
Unconditional promises to give (due within 12 months)	347,719	798,531
Inventory	28,255	11,370
Prepaid expenses and other assets	72,864	58,852
Total current assets	1,412,143	1,662,004
Furniture, Equipment and Software, Net of Accumulated Depreciation	214,211	275,382
Other Assets		
Intangible asset, net of accumulated amortization	203,167	226,166
Total assets	\$ 1,829,521	\$ 2,163,552
Liabilities and Net Assets		
Current Liabilities		
Note payable to bank	\$ 36,500	\$ 29,500
Accounts payable	62,755	36,106
Accrued expenses	32,691	33,429
Acquisition cost payable	-	100,000
Deferred revenue	130,718	80,620
Total current liabilities	262,664	279,655
Net Assets		
Unrestricted		
Undesignated, available for general activities	204,654	2,826
Undesignated, Nonprofit Insurance Advisors	(130,219)	(41,796)
Invested in furniture, equipment and software	214,211	275,382
Board designated operating reserve	332,947	324,224
Board designated for anti-racism award	10,000	10,000
Total unrestricted	631,593	570,636
Temporarily restricted	935,264	1,313,261
Total net assets	1,566,857	1,883,897
Total liabilities and net assets	\$ 1,829,521	\$ 2,163,552

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012 (with Comparative Totals for 2011)

	2012	2011
Unrestricted Revenues and Other Support		
Public support and revenue		
Contributions and grants	\$ 82,694	\$ 50,610
Net assets released from restrictions	1,435,729	1,293,626
Total public support	1,518,423	1,344,236
Revenue		
Membership dues	613,625	597,176
Workshops and education	351,868	345,266
Annual conference	275,848	249,862
Publications	55,774	26,610
Honoraria and consulting income	49,072	33,108
Sponsorships and other marketing	224,344	198,797
Commission income - Nonprofit Insurance Advisors	121,208	3,327
Investment income	2,859	3,103
Miscellaneous income	19,597	16,348
Total revenue	1,714,195	1,473,597
Total public support and revenue	3,232,618	2,817,833
Expenses		
Program services		
Education	937,437	955,936
Public policy and civic engagement	713,144	779,241
Member services	357,606	440,764
Research	287,164	249,308
Advocacy	218,241	172,278
Nonprofit Insurance Advisors	201,031	45,123
Total program services	2,714,623	2,642,650
Supporting services		
Management and general	341,206	323,159
Fundraising	115,837	82,685
Total supporting services	457,043	405,844
Total program and supporting services expenses	3,171,666	3,048,494
Change in Unrestricted Net Assets	60,952	(230,661)
Temporarily Restricted Support		
Contributions and grants	1,057,737	854,100
Net assets released from restrictions	(1,435,729)	(1,293,626)
Change in Temporarily Restricted Net Assets	(377,992)	(439,526)
Total Change in Net Assets	(317,040)	(670,187)
Net Assets, Beginning of Year	1,883,897	2,554,084
Net Assets, End of Year	\$ 1,566,857	\$ 1,883,897

2012

Program Services

	Education	Public Policy & Civic Engagement	Member Services	Research	Advocacy	Nonprofit Insurance Advisors
Salaries, Taxes and Benefits	\$ 323,637	\$ 310,783	\$ 243,455	\$ 205,200	\$ 107,879	\$ 141,190
Consulting Fees	134,633	229,577	6,914	28,964	74,792	6,558
Office Rent	22,864	21,956	17,199	14,496	7,621	8,471
Office Supplies	4,388	2,203	2,163	4,379	774	1,016
Telephone	1,936	3,025	2,706	1,296	1,150	1,249
Postage	20,424	2,880	14,456	247	160	235
Printing and Publishing	34,260	4,383	18,322	2,169	1,369	270
Dues and Subscriptions	2,753	3,723	2,677	2,155	1,302	-
Advertising/Promotion	-	125	-	50	125	4,066
Bank/Merchant Fees	12,841	-	6,420	-	-	-
Equipment	3,719	3,571	2,798	2,358	1,240	-
Computers/Software	14,100	13,715	14,459	9,291	4,876	4,406
Insurance	-	-	-	-	-	5,078
Staff Training	2,001	1,449	2,065	1,554	806	390
Board Retreat	-	-	-	-	-	-
Workshop Expenses	182,228	63	-	-	-	-
Leadership Institute Expense	-	-	-	-	-	-
Travel	8,828	6,876	7,672	3,391	7,048	2,187
Meeting Expenses	33,735	7,248	5,713	2,689	4,088	423
Event Translation	9,019	300	-	-	230	-
Annual Conference	108,422	-	-	-	-	-
Miscellaneous	2,935	348	271	230	210	891
Interest Expense	-	-	-	-	-	1,601
Grants and Allocations	1,000	87,750	-	-	-	-
Total expenses						
before depreciation	923,723	699,975	347,290	278,469	213,670	178,031
Depreciation/Amortization	13,714	13,169	10,316	8,695	4,571	23,000
	<u>\$ 937,437</u>	<u>\$ 713,144</u>	<u>\$ 357,606</u>	<u>\$ 287,164</u>	<u>\$ 218,241</u>	<u>\$ 201,031</u>

See Notes to Consolidated Financial Statements

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012 (with Comparative Totals for 2011)

2012			2011		
Total Program Services	Management and General	Fundraising	Total Expenses	Total Expenses	
\$ 1,332,144	\$ 249,116	\$ 90,129	\$ 1,671,389	\$ 1,626,447	Salaries, Taxes and Benefits
481,438	16,926	1,056	499,420	407,290	Consulting Fees
92,607	17,599	6,367	116,573	114,503	Office Rent
14,923	1,731	605	17,259	25,911	Office Supplies
11,362	1,552	510	13,424	18,669	Telephone
38,402	1,603	1,184	41,189	37,478	Postage
60,773	2,270	682	63,725	98,379	Printing and Publishing
12,610	2,322	767	15,699	15,905	Dues and Subscriptions
-					
4,366	250	-	4,616	2,499	Advertising/Promotion
19,261	-	2,140	21,401	19,819	Bank/Merchant Fees
13,686	2,863	1,036	17,585	8,730	Equipment
60,847	10,853	3,927	75,627	86,053	Computers/Software
5,078	4,356	-	9,434	4,788	Insurance
8,265	935	1,159	10,359	7,805	Staff Training
-	7,083	-	7,083	6,330	Board Retreat
182,291	-	-	182,291	171,578	Workshop Expenses
-	-	-	-	1,221	Leadership Institute Expense
36,002	5,158	1,777	42,937	87,124	Travel
53,896	5,124	580	59,600	58,695	Meeting Expenses
9,549	568	-	10,117	5,388	Event Translation
108,422	-	-	108,422	135,019	Annual Conference
4,885	251	99	5,235	8,859	Miscellaneous
1,601	91	-	1,692	651	Interest Expense
88,750	-	-	88,750	35,500	Grants and Allocations
2,641,158	330,651	112,018	3,083,827	2,984,641	Total expenses before depreciation
73,465	10,555	3,819	87,839	63,853	Depreciation/Amortization
<u>\$ 2,714,623</u>	<u>\$ 341,206</u>	<u>\$ 115,837</u>	<u>\$ 3,171,666</u>	<u>\$ 3,048,494</u>	
<u>86%</u>	<u>11%</u>	<u>4%</u>	<u>100%</u>		

Minnesota Council of Nonprofits and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012 (with Comparative Totals for 2011)

	2012	2011
Operating Activities		
Change in net assets	\$ (317,040)	\$ (670,187)
Adjustments to reconcile increase in net assets to net cash		
Depreciation	64,839	60,019
Amortization of intangible asset	23,000	3,834
Unrealized gain on investments	(1,312)	(264)
Changes in assets and liabilities		
Accounts receivable	(47,034)	18,269
Unconditional promises to give	450,812	357,439
Inventory	(16,885)	22,957
Prepaid expenses and other assets	(14,012)	(19,515)
Accounts payable	26,649	(42,414)
Accrued expenses	(738)	2,743
Deferred revenue	50,098	(56,503)
Net Cash from (used for) Operating Activities	218,377	(323,622)
Investing Activities		
Purchase of property and equipment	(4,545)	(58,191)
Purchase of book of business	(100,000)	(130,000)
Net Cash used for Investing Activities	(104,545)	(188,191)
Financing Activities		
Borrowings on line of credit	84,000	106,500
Payments on line of credit	(77,000)	(77,000)
Net Cash from Financing Activities	7,000	29,500
Net Change in Cash and Cash Equivalents	120,832	(482,313)
Cash and Cash Equivalents, Beginning of Year	761,056	1,243,369
Cash and Cash Equivalents, End of Year	\$ 881,888	\$ 761,056

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

Nature of Organization

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 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 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 Nonprofits. 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 Organization). Nonprofit Insurance Advisors is 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 Organization 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 Organization is 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 Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization 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 Organization classifies its 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 Organization uses the allowance method to account for uncollectible receivables. This method provides allowances for doubtful receivables based on historical experience and management's evaluation of estimated losses that will be incurred in the collection of receivables. No allowance was deemed necessary for the year ended December 31, 2012.

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:

	<u>Depreciable Life</u>
Furniture and equipment	3 - 5 years
Computer software	3 - 9 years

The Organization reviews its 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 Organization amortizes 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 organization 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 Organization has adopted the provisions of FASB ASC 740-10. 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, 2012, the unrecognized tax benefit accrual was zero.

The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is no longer subject to Federal tax examinations by tax authorities for years before 2009 and state examinations for years before 2009.

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, 2012, there were no deferred taxes reported.

Fair Value Measurements

The Organization has 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 Organization as of December 31, 2012, consisted entirely of Level 1 inputs:

	Quoted Prices in Active Markets (Level 1)
Equity fund	\$ 15,805

Note 2 - Investments

Investments consist of an equity fund recorded at market value of \$15,805 at December 31, 2012. An unrealized gain of \$1,311 was recognized during the year ended December 31, 2012.

Note 3 - Furniture, Equipment and Software

The following is a summary of property and equipment at December 31, 2012:

Furniture, equipment and software	\$ 579,957
Less accumulated depreciation	365,746
	\$ 214,211

Note 4 - Intangible Assets

Intangible assets as of December 31, 2012 consisted of the following:

	Cost	Accumulated Amortization	Net
Balance, December 31, 2012			
Book of business - Nonprofit Insurance Advisors	\$ 230,000	\$ (26,833)	\$ 203,167

Amortization expense for the year ended December 31, 2012 was \$23,000. Estimated future amortization expense related to this intangible asset is as follows:

Years Ending December 31,	Amount
2013	\$ 23,000
2014	23,000
2015	23,000
2016	23,000
Thereafter	111,167
	\$ 203,167

Note 5 - Line of Credit

On June 6, 2012, 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, 2013. 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, 2012.

On October 5, 2012, 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 June 1, 2013. 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 \$36,500 as of December 31, 2012.

Note 6 - Leases

The Organization leases office space under an operating lease, which expires January 31, 2015. The agreement calls for monthly payments of \$8,804, which includes utilities, real estate taxes and insurance. Rent expense was \$108,102 for the year ended December 31, 2012.

The Organization also has several non-cancelable operating equipment leases that expire at various dates through 2016.

In 2007, the Organization began a non-cancelable 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 Organization terminates the contract at least 60 days prior to the end of the renewal term. The lease will expire on October 31, 2013.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2013	\$ 159,894
2014	127,754
2015	16,126
2016	6,802
Thereafter	-
	\$ 310,576

Note 7 - Grants

In 2012, grants expense included grants to 501(c)(3) organizations in Minnesota and Massachusetts that participated in research on the outcomes of their nonpartisan voter and civic engagement activities.

Note 8 - Retirement Plan

The Organization has a defined contribution retirement plan covering all eligible employees. The contribution is at the discretion of the Board of Directors. Employees are eligible to participate in the plan after one month of service. Contributions to the plan were \$65,234 for the year ended December 31, 2012.

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, 2012 as follows:

Minnesota Budget Project	\$	425,750
Minnesota Participation Project		121,500
Nonprofit Voter Engagement Network		275,109
Public Policy		280,000
Performance Management Institute		163,517
Impact Initiative		120,000
Central Chapter		2,500
Northeast Chapter		4,000
Management Trainings for Nonprofits		18,400
Native American Nonprofit Economy Report		19,953
General operations		5,000
		5,000
	\$	1,435,729

Temporarily restricted net assets consisted of the following at December 31, 2012:

Minnesota Budget Project	\$	490,000
Nonprofit Voter Engagement Network		142,789
Public Policy		177,500
2012 Technology Upgrade/Web Upgrades		70,000
Native American Nonprofit Economy Report		14,975
Principles and Practices		10,000
General operations: future years		30,000
		30,000
	\$	935,264

Note 10 - Contingencies

Certain grants from donors are subject to audit by the donor. Such audits could result in claims against the Organization 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 - Subsequent Events

The Organization has evaluated subsequent events through May 8, 2013, the date which the consolidated financial statements were available to be issued. The Organization has determined that there were no subsequent events that met the criteria for recognition or disclosure.



Additional Information
December 31, 2012 and 2011

Minnesota Council of Nonprofits and Subsidiary

	<u>Minnesota Council of Nonprofits</u>	<u>Nonprofit Insurance Advisors</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 880,684	\$ 1,204	\$ -	\$ 881,888
Investments	15,805	-	-	15,805
Accounts receivable	55,736	9,876	-	65,612
Unconditional promises to give (due within 12 months)	347,719	-	-	347,719
Inventory	28,255	-	-	28,255
Prepaid expenses and other assets	<u>67,725</u>	<u>5,139</u>	<u>-</u>	<u>72,864</u>
Total current assets	<u>1,395,924</u>	<u>16,219</u>	<u>-</u>	<u>1,412,143</u>
Furniture, Equipment and Software, Net of Accumulated Depreciation	<u>214,211</u>	<u>-</u>	<u>-</u>	<u>214,211</u>
Other Assets				
Intangible asset, net of accumulated amortization	-	203,167	-	203,167
Note receivable - Nonprofit Insurance Advisors	<u>217,106</u>	<u>-</u>	<u>(217,106)</u>	<u>-</u>
Total other assets	<u>217,106</u>	<u>203,167</u>	<u>(217,106)</u>	<u>203,167</u>
Equity in Nonprofit Insurance Advisors	<u>(130,219)</u>	<u>-</u>	<u>130,219</u>	<u>-</u>
Total assets	<u><u>\$ 1,697,022</u></u>	<u><u>\$ 219,386</u></u>	<u><u>\$ (86,887)</u></u>	<u><u>\$ 1,829,521</u></u>

Minnesota Council of Nonprofits and Subsidiary
Consolidating Statement of Financial Position
December 31, 2012

	Minnesota Council of Nonprofits	Nonprofit Insurance Advisors	Eliminations	Consolidated Total
Liabilities and Net Assets				
Current Liabilities				
Note payable - MCN	\$ -	10,601	\$ (10,601)	\$ -
Note payable to bank	-	36,500	-	36,500
Accounts payable	61,549	1,206	-	62,755
Accrued expenses	29,778	2,913	-	32,691
Acquisition cost payable	-	-	-	-
Deferred revenue	130,718	-	-	130,718
Due to MCN	-	91,880	(91,880)	-
Total current liabilities	<u>222,045</u>	<u>143,100</u>	<u>(102,481)</u>	<u>262,664</u>
Long-term Debt				
Note payable - MCN	-	206,505	(206,505)	-
Total liabilities	<u>222,045</u>	<u>349,605</u>	<u>(308,986)</u>	<u>262,664</u>
Net Assets				
Unrestricted				
Undesignated, available for general activities	112,774	-	91,880	204,654
Undesignated, Nonprofit Insurance Advisors	(130,219)	(130,219)	130,219	(130,219)
Invested in furniture, equipment and software	214,211	-	-	214,211
Board designated operating reserve	332,947	-	-	332,947
Board designated for anti-racism award	10,000	-	-	10,000
Total unrestricted	539,713	(130,219)	222,099	631,593
Temporarily restricted	935,264	-	-	935,264
Total net assets	<u>1,474,977</u>	<u>(130,219)</u>	<u>222,099</u>	<u>1,566,857</u>
Total liabilities and net assets	<u>\$ 1,697,022</u>	<u>\$ 219,386</u>	<u>\$ (86,887)</u>	<u>\$ 1,829,521</u>

Minnesota Council of Nonprofits and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
December 31, 2012

	Minnesota Council of Nonprofits	Nonprofit Insurance Advisors	Eliminations	Consolidated Total
Unrestricted Revenues and Other Support				
Public support and revenue				
Contributions and grants	\$ 82,694	\$ -	\$ -	\$ 82,694
Net assets released from restrictions	1,435,729	-	-	1,435,729
Total public support	<u>1,518,423</u>	<u>-</u>	<u>-</u>	<u>1,518,423</u>
Revenue				
Membership dues	613,625	-	-	613,625
Workshops and education	351,868	-	-	351,868
Annual conference	275,848	-	-	275,848
Publications	55,774	-	-	55,774
Honoraria and consulting income	49,072	-	-	49,072
Sponsorships and other marketing	224,344	-	-	224,344
Commission income	-	121,208	-	121,208
Investment income	11,459	-	(8,600)	2,859
Miscellaneous income	19,597	-	-	19,597
Equity in loss of				
Nonprofit Insurance Advisors	(88,423)	-	88,423	-
Total revenue	<u>1,513,164</u>	<u>121,208</u>	<u>79,823</u>	<u>1,714,195</u>
Total public support and revenue	<u>3,031,587</u>	<u>121,208</u>	<u>79,823</u>	<u>3,232,618</u>
Expenses				
Program services				
Education	937,437	-	-	937,437
Public policy and civic engagement	713,144	-	-	713,144
Member services	357,606	-	-	357,606
Research	287,164	-	-	287,164
Advocacy	218,241	-	-	218,241
Nonprofit Insurance Advisors	91,880	209,631	(100,480)	201,031
Total program services	<u>2,605,472</u>	<u>209,631</u>	<u>(100,480)</u>	<u>2,714,623</u>
Supporting services				
Management and general	341,206	-	-	341,206
Fundraising	115,837	-	-	115,837
Total supporting services	<u>457,043</u>	<u>-</u>	<u>-</u>	<u>457,043</u>
Total program and supporting services expenses	<u>3,062,515</u>	<u>209,631</u>	<u>(100,480)</u>	<u>3,171,666</u>
Change in Unrestricted Net Assets	<u>(30,928)</u>	<u>(88,423)</u>	<u>180,303</u>	<u>60,952</u>
Temporarily Restricted Support				
Contributions and grants	1,057,737	-	-	1,057,737
Net assets released from restrictions	(1,435,729)	-	-	(1,435,729)
Change in Temporarily Restricted Net Assets	<u>(377,992)</u>	<u>-</u>	<u>-</u>	<u>(377,992)</u>
Total Change in Net Assets	(408,920)	(88,423)	180,303	(317,040)
Net Assets, Beginning of Year	<u>1,883,897</u>	<u>(41,796)</u>	<u>41,796</u>	<u>1,883,897</u>
Net Assets, End of Year	<u>\$ 1,474,977</u>	<u>\$ (130,219)</u>	<u>\$ 222,099</u>	<u>\$ 1,566,857</u>