

Financial Statements

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

For the Years Ended
December 31, 2019 and 2018

Minnesota Council of Nonprofits, Inc.
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December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Minnesota Council of Nonprofits, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Council of Nonprofits, Inc. as of December 31, 2019 and 2018, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 14, 2020

FINANCIAL STATEMENTS

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position
 December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 190,817	\$ 1,417,227
Accounts receivable	69,524	19,474
Grants receivable, short-term	822,468	511,499
Inventory	7,532	18,896
Prepaid expenses	53,332	73,564
Total Current Assets	1,143,673	2,040,660
Investments	894,784	31,198
Property and Equipment		
Furniture, equipment and software	1,354,768	1,309,816
Accumulated depreciation	(832,366)	(726,003)
Total Property and Equipment, Net	522,402	583,813
Noncurrent Assets		
Security deposit	6,517	6,517
Unemployment funds held by others	42,037	33,336
Grants receivable, long-term	97,500	350,000
Total Noncurrent Assets	146,054	389,853
Total Assets	\$ 2,706,913	\$ 3,045,524

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

Minnesota Council of Nonprofits, Inc.
 Statements of Financial Position (Continued)
 December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 58,899	\$ 60,255
Accrued expenses	96,845	99,752
Deferred revenue	192,814	124,090
Total Liabilities	348,558	284,097
Net Assets		
Net Assets without Donor Restriction		
Undesignated, available for general activities	289,856	415,524
Invested in furniture, equipment and software	522,402	583,814
Board designated reserve fund	346,933	346,933
Board designated, anti-racism award	9,000	10,000
Board designated, Nonprofit Center Growth and Expansion	-	26,036
Total Net Assets without Donor Restriction	1,168,191	1,382,307
Net Assets with Donor Restriction	1,190,164	1,379,120
Total Net Assets	2,358,355	2,761,427
Total Liabilities and Net Assets	\$ 2,706,913	\$ 3,045,524

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 10,329	\$ -	\$ 10,329
In-kind contributions	9,000	-	9,000
Grants	256,186	1,182,094	1,438,280
Total Support	<u>275,515</u>	<u>1,182,094</u>	<u>1,457,609</u>
Revenue			
Membership dues	937,750	-	937,750
Workshops and conference	510,666	-	510,666
Sponsorships and marketing	297,128	-	297,128
Annual conference	158,113	-	158,113
Publications	38,007	-	38,007
VISTA cost-share	46,937	-	46,937
Honoraria and consulting	8,150	-	8,150
Investment gains (losses)	27,213	-	27,213
Other revenue	2,808	-	2,808
Total Revenue	<u>2,026,772</u>	<u>-</u>	<u>2,026,772</u>
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	<u>1,371,050</u>	<u>(1,371,050)</u>	<u>-</u>
Total Support and Revenue	<u>3,673,337</u>	<u>(188,956)</u>	<u>3,484,381</u>
Expenses			
Program Services			
Education	1,118,053	-	1,118,053
Public policy and civic engagement	476,453	-	476,453
Member services	595,166	-	595,166
VISTA	293,272	-	293,272
Research	425,687	-	425,687
Advocacy	155,072	-	155,072
Total Program Services Expenses	<u>3,063,703</u>	<u>-</u>	<u>3,063,703</u>
Supporting Services			
Management and general	665,357	-	665,357
Fundraising	158,393	-	158,393
Total Supporting Services Expenses	<u>823,750</u>	<u>-</u>	<u>823,750</u>
Total Expenses	<u>3,887,453</u>	<u>-</u>	<u>3,887,453</u>
Change in Net Assets	(214,116)	(188,956)	(403,072)
Net Assets, Beginning of the Year	<u>1,382,307</u>	<u>1,379,120</u>	<u>2,761,427</u>
Net Assets, End of the Year	<u>\$ 1,168,191</u>	<u>\$ 1,190,164</u>	<u>\$ 2,358,355</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	\$ 6,248	\$ -	\$ 6,248
In-kind contributions	9,000	-	9,000
Grants	274,740	1,509,000	1,783,740
Total Support	289,988	1,509,000	1,798,988
Revenue			
Membership dues	885,518	-	885,518
Workshops and conference	596,996	-	596,996
Sponsorships and marketing	338,121	-	338,121
Annual conference	228,283	-	228,283
Publications	69,274	-	69,274
VISTA cost-share	68,382	-	68,382
Honoraria and consulting	9,345	-	9,345
Investment gains (losses)	(97)	-	(97)
Other revenue	2,985	-	2,985
Total Revenue	2,198,807	-	2,198,807
Net Assets Released from Restrictions			
Restrictions satisfied by meeting donor restrictions	1,188,377	(1,188,377)	-
Total Support and Revenue	3,677,172	320,623	3,997,795
Expenses			
Program Services			
Education	1,222,260	-	1,222,260
Public policy and civic engagement	232,985	-	232,985
Member services	635,247	-	635,247
VISTA	376,097	-	376,097
Research	313,057	-	313,057
Advocacy	150,840	-	150,840
Total Program Services Expenses	2,930,486	-	2,930,486
Supporting Services			
Management and general	574,365	-	574,365
Fundraising	147,660	-	147,660
Total Supporting Services Expenses	722,025	-	722,025
Total Expenses	3,652,511	-	3,652,511
Change in Net Assets	24,661	320,623	345,284
Net Assets, Beginning of the Year	1,357,646	1,058,497	2,416,143
Net Assets, End of the Year	\$ 1,382,307	\$ 1,379,120	\$ 2,761,427

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, 2019

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

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, 2018

	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	\$ 390,824	\$ 134,059	\$ 279,781	\$ 73,561	\$ 188,180	\$ 89,891	\$ 1,156,296	\$ 311,197	\$ 87,714	\$ 1,555,207
Employee benefits	70,760	24,272	51,359	13,319	34,071	16,275	210,056	56,343	15,881	282,280
Payroll taxes	28,004	9,606	20,047	5,271	13,484	6,441	82,853	22,298	6,285	111,436
Total Personnel Expenses	489,588	167,937	351,187	92,151	235,735	112,607	1,449,205	389,838	109,880	1,948,923
Expenses										
Annual conference	131,363	-	-	-	-	-	131,363	-	-	131,363
Bad debt	-	-	-	-	-	-	-	5,587	-	5,587
Bank/merchant fees	7,368	2,527	5,274	1,387	3,548	1,695	21,799	11,436	1,685	34,920
Board retreat	-	-	-	-	-	-	-	4,967	-	4,967
Consultants	32,024	4,094	82,112	1,662	6,406	3,131	129,429	40,608	1,913	171,950
Dues and subscriptions	4,651	1,938	3,359	857	2,242	1,072	14,119	4,314	1,791	20,224
Equipment	12,094	3,488	6,692	1,760	5,064	2,431	31,529	14,063	2,098	47,690
ADA accommodations	3,897	240	-	-	-	-	4,137	-	-	4,137
Grants and allocations	-	-	41,500	-	-	-	41,500	-	-	41,500
Insurance	1,572	539	1,125	296	757	361	4,650	1,251	353	6,254
Marketing	454	219	338	75	356	174	1,616	315	464	2,395
Meeting	6,354	4,066	3,779	483	1,871	1,435	17,988	3,736	783	22,507
Miscellaneous	687	209	492	127	280	133	1,928	375	151	2,454
Occupancy	53,579	18,379	42,260	10,085	25,798	12,323	162,424	42,663	12,025	217,112
Postage and shipping	28,601	1,942	17,113	-	-	240	47,896	1,543	-	49,439
Printing and publication	65,802	3,253	12,580	656	1,864	1,247	85,402	2,978	782	89,162
Professional development	5,120	4,985	4,028	712	2,738	1,328	18,911	8,371	899	28,181
Software	26,784	6,235	15,001	3,292	8,421	4,022	63,755	14,161	5,703	83,619
Supplies	4,101	1,237	3,070	679	1,736	829	11,652	2,999	896	15,547
Telephone and internet	2,352	647	3,773	340	869	415	8,396	1,501	405	10,302
Travel	3,548	2,170	15,131	185	2,907	1,443	25,384	3,046	2,022	30,452
VISTA	-	-	-	256,477	-	-	256,477	-	-	256,477
Workshop and conference	316,434	-	7,901	-	-	-	324,335	-	-	324,335
Total Expenses Before Depreciation	1,196,373	224,105	616,715	371,224	300,592	144,886	2,853,895	553,752	141,850	3,549,497
Depreciation and amortization	25,887	8,880	18,532	4,873	12,465	5,954	76,591	20,613	5,810	103,014
Total Expenses	\$ 1,222,260	\$ 232,985	\$ 635,247	\$ 376,097	\$ 313,057	\$ 150,840	\$ 2,930,486	\$ 574,365	\$ 147,660	\$ 3,652,511

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (403,072)	\$ 345,284
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	106,363	103,014
Net realized and unrealized investment (gain) loss	1,679	1,495
(Increase) decrease in assets:		
Accounts receivable	(50,050)	33,667
Grants receivable	(58,469)	(315,051)
Inventory	11,364	(9,942)
Prepaid expenses and other current assets	20,232	(7,837)
Unemployment funds held by others	(8,701)	16,357
Increase (decrease) in liabilities:		
Accounts payable	(1,356)	6,833
Accrued payroll expenses	(2,907)	6,993
Deferred revenue	68,724	(38,314)
Net Cash Provided (Used) by Operating Activities	(316,193)	142,499
Cash flows from Investing Activities		
Purchases of property and equipment	(44,952)	(118,662)
Purchases of investments	(865,265)	-
Net Cash Used by Investing Activities	(910,217)	(118,662)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,226,410)	23,837
Cash and Cash Equivalents at Beginning of Year	1,417,227	1,393,390
Cash and Cash Equivalents at End of Year	\$ 190,817	\$ 1,417,227

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

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Minnesota Council of Nonprofits, Inc. (MCN) is incorporated under the Minnesota Nonprofit Corporation Act. MCN offers educational, public policy, research and advocacy activities to help organizations be more efficient and effective and to increase public understanding of the role and contributions of Minnesota's nonprofit organizations. MCN's program services are as follows:

Education - Convenes workshops, conferences and meetings for nonprofit organizations on topics related to managing nonprofit organizations. Publishes directories and maintains a website (www.minnesotanonprofits.org) to provide guidance and additional information on issues faced by nonprofit organizations and their staff and board members.

Public Policy and Civic Engagement - Sponsors briefings on public policies which affect nonprofit organizations and the communities they serve; conducts skill-building workshops for nonprofit staff, board members and volunteers to strengthen their public policy work; undertakes nonpartisan voter participation efforts on behalf of nonprofit clients and community members; and provides up-to-date information during the legislative session via newsletters and the internet.

Member Services - Sponsors services to member nonprofit organizations to strengthen the stability and effectiveness of these nonprofit organizations. Services include group purchasing and discounts on products like insurance and supplies as well as events and newsletters planned and organized for members.

VISTA - MCN sponsors an AmeriCorps VISTA program and places VISTAs in Minnesota nonprofits to provide capacity and ensure the sustainability of their operations and increase their impact in community.

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

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

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in non-donor-restricted or donor-restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets Without Donor Restrictions

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

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

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 the Organization expects to collect on balances outstanding at period end. 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. The allowance for uncollectible accounts for the years ended December 31, 2019 and 2018 is \$0.

F. Inventories

Inventories are stated at lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis.

G. Property and Equipment

Equipment and property are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the assets' estimated useful lives of up to 10 years. Generally, acquisitions of equipment of \$1,000 or more are capitalized.

H. Contributions

Contributions received are recorded as donor-restricted or non-donor restricted depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recognized in the period awarded.

I. In-kind Contributions

The Organization reports gifts of non-cash assets as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

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. The Organization received donated design work for conference materials in both 2019 and 2018.

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

N. Credit Risk

The Organization 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. New Accounting Standards

In March 2016, the FASB issued ASU No. 2016-02, Leases, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for Minnesota Council of Nonprofits in 2020. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

P. Subsequent Events

Subsequent events were evaluated through May 14, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. This will materially impact the Organization's operations, and there is significant uncertainty around the duration of business disruptions related to COVID-19.

Minnesota Council of Nonprofits, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: Unemployment Fund

The Organization has elected to opt out of participation in the Minnesota Unemployment Insurance Program. The Organization 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. The Organization believes there is no significant liability for claims incurred but not reported at December 31, 2019 or 2018. The Organization 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:

	2019	2018
Less Than One Year	\$ 822,468	\$ 511,499
One to Five Years	97,500	350,000
Net Grants Receivable	\$ 919,968	\$ 861,499

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 the Organization 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.

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.

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Note 4: Fair Value Measurements (Continued)

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, 2019 and 2018.

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

The Organization'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, 2019:		
Bonds	\$ 120,209	\$ 120,209
Equity index funds	41,008	41,008
Short-term reserves	519,670	519,670
Stocks	213,897	213,897
Total	\$ 894,784	\$ 894,784
December 31, 2018:		
Equity index funds	\$ 31,198	\$ 31,198

An unrealized gain (loss) of (\$1,679) and (\$1,495) was recognized during the years ended December 31, 2019 and 2018, respectively.

Note 5: Line of Credit

In May 2018, 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, 2020. Borrowings under the line of credit bear interest at 5.25%. 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, 2019 or 2018.

Note 6: Income Taxes

Minnesota Council of Nonprofits, Inc. files informational returns in the United States federal jurisdiction and in the Minnesota state jurisdiction. In addition, MCN files tax returns in relation to unrelated business income. All returns the Organization filed prior to fiscal year 2016 are closed. No returns are currently under examination in any tax jurisdiction.

Income taxes are provided for the tax effects of unrelated business transactions for MCN reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, measured by enacted tax rates for years in which taxes are expected to be paid or recovered. Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on available evidence.

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Note 7: Leases

The Organization leases office space under an operating lease, which expires January 31, 2024. The agreement calls for monthly lease payments of \$17,418, which includes utilities, real estate taxes and insurance. This amount will increase in November 2020 and annually thereafter. Rent expense was \$225,617 and \$217,112 for the years ended December 31, 2019 and 2018.

The Organization also has several non-cancelable operating equipment leases that expire at various dates through 2024. The Organization has a lease for capitalized internet software. The lease expired on July 12, 2019, but will remain in effect until the Organization notifies the company of their intent not to renew at least 60 days prior to the end of the renewal term.

Future minimum lease payments as of December 31, 2019 are as follows:

Years Ending December 31,	Amount
2020	\$ 215,698
2021	223,248
2022	225,384
2023	232,942
2024	219,894
Total	\$ 1,117,166

Note 8: Net Assets with Donor Restrictions

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

	2019	2018
Minnesota Budget Project	\$ 543,750	\$ 795,000
Public Policy	246,000	122,500
Time Restricted	164,000	207,500
Regional Chapters	156,600	148,500
Board Repair	69,814	69,814
Inclusion and Equity	5,000	5,000
Census 2020	5,000	-
Capital Campaign	-	26,306
Workshops	-	4,500
Total Net Assets with Donor Restrictions	\$ 1,190,164	\$ 1,379,120

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Note 8: Net Assets with Donor Restrictions (Continued)

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

	2019	2018
Minnesota Budget Project	\$ 571,750	\$ 370,000
Census 2020	200,000	-
Regional Chapters	174,500	147,045
Public Policy	116,500	170,000
Time Restricted	209,500	197,500
Binger Awards	60,000	58,000
Capital Campaign	26,306	123,694
Workshops	12,494	25,500
Associated Health Plan	-	75,000
Board Repair	-	9,138
GrantAdvisor	-	7,500
Inclusion and Equity	-	5,000
	\$ 1,371,050	\$ 1,188,377
Total Released Net Assets		

Note 9: Deferred Revenue

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

Note 10: 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 \$71,177 and \$62,403 for the years ended December 31, 2019 and 2018, respectively.

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Note 11: Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 190,817	\$ 1,417,227
Accounts Receivable	69,524	19,474
Grants Receivable	919,968	861,499
Investments	894,784	31,198
Total Financial Assets	2,075,093	2,329,398
Less those unavailable for general expenditure within one year, due to:		
Contractual or board-imposed restrictions:		
Board designated reserve fund	(346,933)	(346,933)
Board designated, anti-racism award	(9,000)	(10,000)
Board designated, Nonprofit Center Growth and Expansion	-	(26,036)
Total Board-designated Amounts	(355,933)	(382,969)
Donor-restricted amounts	(1,123,664)	(1,379,120)
Total not Available for General Expenditure Within One Year	(1,479,597)	(1,762,089)
Financial assets available to meet cash needs for general expenditures within one year	\$ 595,496	\$ 567,309

As part of liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Minnesota Council of Nonprofits has a policy of setting aside at least one month of normal operating expenses as a restricted reserve.

Minnesota Council of Nonprofits also has a committed line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity level.