

MINNESOTA COUNCIL ON FOUNDATIONS

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2008**

MINNESOTA COUNCIL ON FOUNDATIONS

FINANCIAL STATEMENTS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

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MAHONEY
ULBRICH
CHRISTIANSEN
RUSS P.A.
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

To the Board of Directors
Minnesota Council on Foundations
Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the Minnesota Council on Foundations as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2007 financial statements and, in our report dated March 1, 2008, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota Council on Foundations as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
March 19, 2009

MINNESOTA COUNCIL ON FOUNDATIONS

STATEMENT OF FINANCIAL POSITION

December 31, 2008
(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 400,416	\$ 362,167
Short-term investments	505,367	410,813
Accounts receivable	6,663	3,890
Dues receivable	14,950	3,665
Prepaid expenses	4,606	7,243
Equipment and software costs, net	<u>49,389</u>	<u>34,214</u>
	<u>\$ 981,391</u>	<u>\$ 821,992</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 24,509	\$ 17,603
Accrued payroll and related	31,847	29,991
Accrued unrelated business tax	-	5,194
Deferred revenue	<u>128,631</u>	<u>208,035</u>
Total liabilities	<u>184,987</u>	<u>260,823</u>
Net assets:		
Unrestricted net assets:		
Undesignated	706,527	473,745
Board designated	<u>70,202</u>	<u>77,624</u>
	776,729	551,369
Temporarily restricted net assets	<u>19,675</u>	<u>9,800</u>
Total net assets	<u>796,404</u>	<u>561,169</u>
	<u>\$ 981,391</u>	<u>\$ 821,992</u>

See accompanying notes to financial statements.

MINNESOTA COUNCIL ON FOUNDATIONS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

	2008					2007
	Unrestricted			Temporarily restricted	Total	
	Core	Special projects	Total			
Revenues and support:						
Membership dues	\$ 1,022,006	\$ -	\$ 1,022,006	\$ -	\$ 1,022,006	\$ 930,089
Meeting fees	83,800	-	83,800	-	83,800	108,059
Product sales	146,283	-	146,283	-	146,283	152,586
Sponsorships	51,100	-	51,100	-	51,100	84,305
Advertising	50,319	-	50,319	-	50,319	52,275
Grants	25,100	9,325	34,425	19,675	54,100	43,500
Investment income	28,667	-	28,667	-	28,667	37,020
Miscellaneous income	5,500	-	5,500	-	5,500	1,640
Net assets released upon satisfaction of restrictions	-	9,800	9,800	(9,800)	-	-
Total revenues and support	<u>1,412,775</u>	<u>19,125</u>	<u>1,431,900</u>	<u>9,875</u>	<u>1,441,775</u>	<u>1,409,474</u>
Expenses:						
Program services:						
Member services	453,537	24,047	477,584	-	477,584	544,226
Public awareness	199,982	4,923	204,905	-	204,905	225,887
Research and information	167,501	-	167,501	-	167,501	178,830
Total program services	<u>821,020</u>	<u>28,970</u>	<u>849,990</u>	<u>-</u>	<u>849,990</u>	<u>948,943</u>
Management and general	318,821	2,451	321,272	-	321,272	305,443
Fundraising	35,278	-	35,278	-	35,278	44,712
Total expenses	<u>1,175,119</u>	<u>31,421</u>	<u>1,206,540</u>	<u>-</u>	<u>1,206,540</u>	<u>1,299,098</u>
Change in net assets	237,656	(12,296)	225,360	9,875	235,235	110,376
Net assets, beginning of year	473,745	77,624	551,369	9,800	561,169	450,793
Purchase of equipment	25,925	(25,925)	-	-	-	-
Additional board designations	(30,799)	30,799	-	-	-	-
Net assets, end of year	<u>\$ 706,527</u>	<u>\$ 70,202</u>	<u>\$ 776,729</u>	<u>\$ 19,675</u>	<u>\$ 796,404</u>	<u>\$ 561,169</u>

See accompanying notes to financial statements.

MINNESOTA COUNCIL ON FOUNDATIONS
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

2008

	Program Services				Management and general	Fundraising	Total	2007
	Member services	Public awareness	Research and information	Total				
Salaries	\$ 221,310	\$ 88,088	\$ 75,870	\$ 385,268	\$ 176,468	\$ 18,750	\$ 580,486	\$ 551,664
Employee benefits	34,414	13,698	11,798	59,910	27,441	2,916	90,267	100,641
Payroll taxes	15,944	6,346	5,466	27,756	12,714	1,351	41,821	41,100
Total salaries and benefits	271,668	108,132	93,134	472,934	216,623	23,017	712,574	693,405
Contracted services	43,405	22,864	24,595	90,864	32,686	3,652	127,202	136,763
License fees	415	244	241	900	4,887	30	5,817	24,490
Office and program supplies	4,372	2,036	1,823	8,231	2,588	341	11,160	10,982
Program and meeting expenses	55,353	9,954	4,620	69,927	12,352	1,178	83,457	108,181
Printing/equipment	17,840	17,072	9,907	44,819	8,075	1,097	53,991	88,338
Communications	10,353	15,076	7,451	32,880	5,487	1,078	39,445	56,560
Professional development and national leadership	15,134	5,595	5,063	25,792	-	-	25,792	37,429
Forum dues	6,590	3,295	3,295	13,180	-	-	13,180	11,851
Occupancy	36,270	14,437	12,434	63,141	28,920	3,073	95,134	85,213
Insurance	1,067	425	366	1,858	851	91	2,800	3,756
Travel	3,925	1,754	1,111	6,790	756	399	7,945	6,270
Miscellaneous	5,042	1,573	1,353	7,968	3,144	801	11,913	19,062
Depreciation and amortization	6,150	2,448	2,108	10,706	4,903	521	16,130	16,798
Total expenses	\$ 477,584	\$ 204,905	\$ 167,501	\$ 849,990	\$ 321,272	\$ 35,278	\$ 1,206,540	\$ 1,299,098
2008 allocation percentages	39.6%	17.0%	13.9%	70.5%	26.6%	2.9%	100.0%	
2007 allocation percentages	41.9%	17.4%	13.8%	73.1%	23.5%	3.4%	100.0%	

See accompanying notes to financial statements.

MINNESOTA COUNCIL ON FOUNDATIONS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 235,235	\$ 110,376
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	16,130	16,798
Interest receivable	5,446	(2,687)
Accounts receivable	(14,058)	37,933
Prepaid expenses	2,638	5,310
Accounts payable	2,925	6,441
Accrued tax	(5,194)	5,194
Accrued payroll and related	1,854	508
Deferred revenue	(79,404)	69,585
Net cash from operating activities	<u>165,572</u>	<u>249,458</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	(100,000)	-
Payments for equipment	(27,323)	(10,209)
Net cash from investing activities	<u>(127,323)</u>	<u>(10,209)</u>
Net increase in cash and cash equivalents	38,249	239,249
Cash and cash equivalents, beginning of year	<u>362,167</u>	<u>122,918</u>
Cash and cash equivalents, end of year	<u>\$ 400,416</u>	<u>\$ 362,167</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for unrelated business income taxes	<u>\$ 10,882</u>	<u>\$ -</u>
Noncash investing activities:		
Equipment purchases included in accounts payable	<u>\$ 3,981</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MINNESOTA COUNCIL ON FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

1. ORGANIZATION

The Minnesota Council on Foundations (the Council) is incorporated under the Minnesota Nonprofit Corporation Act. The Council is a 501(c)(3) nonprofit regional association of grantmakers working to improve the health and vitality of our communities. Its mission is to strengthen and expand philanthropy. The Council's membership as of December 31, 2008 included 180 family and other private foundations, community and other public foundations, and corporate foundations and giving programs. In addition to its members, the Council serves the greater grantmaker and nonprofit community and the public, which has a stake in philanthropy in our communities.

The Council also works actively to promote new and expanded philanthropy and help grantmakers improve their effectiveness. The Council has produced nationally-recognized public trust and accountability resources including *Principles for Minnesota Grantmakers* and *What Every Grantmaker Should Know*. As part of its state and national leadership, the Council has also prepared a Diversity Toolkit and other resources to help members and others in the philanthropic community to address inclusivity issues in their work.

Program Services include:

Member Services

- Professional Training to enhance grantmaker skills and knowledge
- Programs on topical grantmaking issues
- Special interest networks by issue and member type
- Community issue briefings
- Grantseeking seminars for nonprofits

Research and Information on Minnesota Philanthropy

- *Giving in Minnesota* and *Outlook*, annual research reports on Minnesota grantmaking trends
- *Minnesota Grantmakers Online*, a web-based, searchable database of Minnesota grantmakers and grant activity

Public Awareness

- *Giving Forum*, a free quarterly newspaper covering grantmaking news and issues
- *MCF Notes* and *MCF Giving Memo*, bi-weekly electronic newsletters for members and nonprofits
- An extensive up-to-date website (mcf.org), including a members-only section
- *Minnesota Toolkit for Giving* in print and online formats (minnesotagiving.org)

MINNESOTA COUNCIL ON FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

1. ORGANIZATION (Continued)

Government Relations

- Supporting and educating members of Congress on philanthropy in Minnesota and issues important to foundations and other grantmakers
- Working on behalf of the field with members of Congress through the annual Foundations on the Hill in Washington DC and District Days in Minnesota.
- *Legislative Bulletins* for members to keep them informed of issues important to foundations and other grantmakers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes.

The Council had no permanently restricted assets at December 31, 2008.

Cash and Cash Equivalents – The Council considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. Cash and cash equivalents at December 31, 2008 include \$333,757 in money market mutual funds held at a brokerage firm.

Short-term Investments – The investments consist of certificates of deposits that are carried at fair value plus accrued interest.

Concentration of Credit Risk – The Council places its cash and cash equivalents and short-term investments with financial institutions. The amount of cash on deposit may at times exceed the insured limit of the institution and expose the Council to a credit risk. The money market mutual funds are covered under the U.S. Treasury Temporary Guarantee Program in an amount up to \$343,454. The Temporary Guarantee Program expires April 30, 2009, unless extended by law. Certificates of deposit are FDIC insured. Management annually reviews the soundness of its primary financial institutions and has not experienced any losses as a result of these deposits.

MINNESOTA COUNCIL ON FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments – Statement of Financial Accounting Standards No. 107, “Disclosure about Fair Value of Financial Instruments”, requires disclosure of an estimate of fair value of certain financial instruments. The Council’s significant financial instruments are cash and cash equivalents, receivables, certificates of deposit and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Promises to Give – Contributions are recorded when a donor makes an unconditional promise to give to the Council. Donor-restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Membership Dues – The Council recognizes membership dues on the renewal date. Membership dues received prior to the renewal date are recorded as deferred revenue. The Council’s good faith estimate of the value of goods and services provided annually to each member is \$500.

Equipment and Software Costs – Equipment is carried at cost, with the exception of the donated equipment, which is recorded at fair market value at the date of gift. Acquisitions of equipment in excess of \$1,000 are capitalized. Equipment is depreciated on the straight-line basis over the estimated life of the asset, generally three to five years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized.

In-kind Donations – Donated goods and services are recorded at fair market value when received. The Council did not receive any in-kind donations during 2008.

Functional Expenses – Expenses have been allocated among program and supporting service classifications based upon direct expenditures and estimates made by the Council’s management. The increase in management and general functional expenses is primarily the result of an increase in contracted services for an organizational capacity project and program and meeting expenses for the Council’s annual meeting of members, which is required by its bylaws.

MINNESOTA COUNCIL ON FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2008
(With Comparative Totals for 2007)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fundraising Expenses – The Council’s fundraising expenses reflect the cost of time invested in membership recruiting and development efforts.

Comparative Total Column – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council’s financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Income Taxes – The Council is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes. The Council pays unrelated business income taxes on a portion of its income related to publications. Income tax expense was \$3,717 and \$5,688 in 2008 and 2007, respectively.

3. **SHORT-TERM INVESTMENTS**

Certificates of deposit with an original cost of \$500,000 are included in the accompanying statement of financial position. The certificates bear interest ranging from 3.10% to 3.45% and have maturities ranging from February 2009 through July 2009. The balance also includes interest receivable earned as of December 31, 2008.

4. **EQUIPMENT AND SOFTWARE COSTS**

Equipment and software costs consisted of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 143,034	\$ 111,730
Software costs	19,312	19,312
	<u>162,346</u>	<u>131,042</u>
Less accumulated depreciation and amortization	(112,957)	(96,828)
	<u>\$ 49,389</u>	<u>\$ 34,214</u>

