

Charities **REVIEW** Council®

June 15, 2015

Dear Donor,

Your support makes it possible for us to bring donors and nonprofits together in new ways, making our philanthropic community stronger than ever.

As you'll see in the following audited financial statements, we ended the year with our expenses exceeding our revenue. Our progress in 2014 created a strong foundation for our next phase of impact. Here's what we are doing this year to continue on the right path:

- Building better understanding of our key programs through business modeling. We want our programs to meet community need and be sustainable.
- **Partnership with you and other donors to hold facilitated conversations through #DisruptMN**—curated actionable spaces for philanthropic collaboration and innovation.
- Increasing the **depth of our donor services** by using technology solutions to better match donors to their giving priorities.
- Working with our nonprofit partners to create the tools they need to work on their own **diversity, equity and inclusion**—a vitally important program that helps all nonprofits build stronger communities.

Our commitment to financial stability means that we're leading by example, fully funding depreciation and taking a hard look at all of our major programs to ensure both mission alignment and a strong financial forecast.

Thank you again for your support of our work to bring engaged donors and strong nonprofits together for the greater good.

We welcome any questions you might have regarding our financial statements. Please contact me at 651-224-7030 or kris@smartgivers.org

Sincerely,



Kris Kewitsch
Executive Director

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-12

INDEPENDENT AUDITORS' REPORT

Board of Directors
Charities Review Council of Minnesota, Inc.
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Charities Review Council of Minnesota, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 the 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 Charities Review Council of Minnesota, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Charities Review Council of Minnesota, Inc. as of December 31, 2013 were audited by other auditors whose report dated May 13, 2014, expressed an unmodified opinion on those statements.

St. Paul, Minnesota
May 28, 2015

Olsen Thielen + Co., Ltd.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

ASSETS		
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash	\$ 162,958	\$ 234,584
Pledges Receivable	41,627	126,734
Prepaid Expenses	12,757	14,880
Total Current Assets	<u>217,342</u>	<u>376,198</u>
OTHER ASSETS:		
Pledges Receivable	<u>—</u>	<u>5,000</u>
PROPERTY AND EQUIPMENT:		
Work in Process - Website/Software	—	40,000
Office Equipment	14,010	39,269
Website Software	<u>153,722</u>	<u>162,600</u>
Total Property and Equipment	<u>167,732</u>	<u>241,869</u>
Less Accumulated Depreciation	<u>90,952</u>	<u>176,068</u>
Property and Equipment, Net	<u>76,780</u>	<u>65,801</u>
 TOTAL ASSETS	 <u>\$ 294,122</u>	 <u>\$ 446,999</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 6,641	\$ 8,388
Accrued Expenses	<u>6,065</u>	<u>16,870</u>
Total Liabilities	<u>12,706</u>	<u>25,258</u>
NET ASSETS:		
Unrestricted	163,651	183,697
Temporarily Restricted	<u>117,765</u>	<u>238,044</u>
Total Net Assets	<u>281,416</u>	<u>421,741</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 294,122</u>	 <u>\$ 446,999</u>

The accompanying notes are an integral part of the financial statements.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUES:				
Public Support:				
United Way Donations	\$ 77,815	-	\$ 77,815	-
Individuals	52,197	-	47,170	-
Corporations and Foundations	181,450	115,250	178,023	140,500
Contributed Services	1,890	-	1,412	-
Fee for Service	60,013	-	53,432	-
Annual Meeting	16,610	-	21,750	-
Other Revenue	-	-	203	-
Interest and Dividend Income	101	-	176	-
Net Assets Released from Restrictions	235,529	(235,529)	168,962	(168,962)
Total Support and Revenues	<u>625,605</u>	<u>(120,279)</u>	<u>550,179</u>	<u>(28,462)</u>
			\$ 79,051	\$ 79,051
			47,170	47,170
			178,023	318,523
			1,412	1,412
			53,432	53,432
			21,750	21,750
			203	203
			176	176
			(168,962)	-
			<u>550,179</u>	<u>521,717</u>
EXPENSES:				
Program Services:				
Management and General	474,785	-	450,502	-
Fundraising	125,628	-	131,161	-
Total Expenses	<u>645,651</u>	<u>-</u>	<u>640,790</u>	<u>-</u>
CHANGE IN NET ASSETS	(20,046)	(120,279)	(90,611)	(28,462)
NET ASSETS, Beginning of Year	183,697	238,044	274,308	540,814
NET ASSETS, End of Year	\$ 163,651	\$ 117,765	\$ 183,697	\$ 238,044
			<u>\$ 183,697</u>	<u>\$ 421,741</u>

The accompanying notes are an integral part of the financial statements.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	2014						
	Program Services			Support Services			
	Nonprofit Services	Donor Information/ Education Services	Total Program	Management and General	Fundraising	Total Support	Total All Services
Salaries	\$ 192,184	\$ 49,353	\$ 241,537	\$ 66,109	\$ 23,661	\$ 89,770	\$ 331,307
Employee Benefits	15,984	4,376	20,360	6,176	2,259	8,435	28,795
Payroll Taxes	14,475	3,841	18,316	4,872	1,776	6,648	24,964
Retirement Plan Contribution	12,519	3,426	15,945	4,836	1,769	6,605	22,550
Total Personnel Expenses	<u>235,162</u>	<u>60,996</u>	<u>296,158</u>	<u>81,993</u>	<u>29,465</u>	<u>111,458</u>	<u>407,616</u>
Professional Fees	42,397	18,604	61,001	18,497	416	18,913	79,914
Occupancy	25,311	3,960	29,271	9,695	4,443	14,138	43,409
Conferences and Meetings	17,504	6,808	24,312	435	327	762	25,074
Printing and Publications	3,130	7,403	10,533	(306)	4,609	4,303	14,836
Postage	292	4,103	4,395	(386)	4,021	3,635	8,030
Supplies	2,711	1,061	3,772	3,792	190	3,982	7,754
Equipment Lease and Maintenance	3,032	532	3,564	1,126	487	1,613	5,177
Membership Dues and Subscriptions	2,830	1,241	4,071	488	355	843	4,914
Telephone	2,390	407	2,797	897	400	1,297	4,094
Transportation	2,469	1,035	3,504	147	130	277	3,781
Staff Development	75	-	75	3,700	-	3,700	3,775
Miscellaneous	-	-	-	3,566	9	3,575	3,575
Insurance	2,066	350	2,416	682	313	995	3,411
Public Awareness	747	387	1,134	1,163	-	1,163	2,297
Total Expenses Before Depreciation	<u>340,116</u>	<u>106,887</u>	<u>447,003</u>	<u>125,489</u>	<u>45,165</u>	<u>170,654</u>	<u>617,657</u>
Depreciation	14,069	13,713	27,782	139	73	212	27,994
Total Expenses	<u>\$ 354,185</u>	<u>\$ 120,600</u>	<u>\$ 474,785</u>	<u>\$ 125,628</u>	<u>\$ 45,238</u>	<u>\$ 170,866</u>	<u>\$ 645,651</u>

The accompanying notes are an integral part of the financial statements.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED DECEMBER 31, 2013**

	2013						
	Program Services		Support Services				
	Nonprofit Services	Donor Information/ Education Services	Total Program	Management and General	Fundraising	Total Support	Total All Services
Salaries	\$ 208,688	\$ 40,775	\$ 249,463	\$ 79,145	\$ 38,764	\$ 117,909	\$ 367,372
Employee Benefits	13,425	3,748	17,173	7,887	2,648	10,535	27,708
Payroll Taxes	15,374	3,167	18,541	5,575	3,319	8,894	27,435
Retirement Plan Contribution	13,035	2,478	15,513	5,112	2,480	7,592	23,105
Total Personnel Expenses	250,522	50,168	300,690	97,719	47,211	144,930	445,620
Professional Fees	31,375	19,623	50,998	12,433	1,395	13,828	64,826
Occupancy	21,855	4,829	26,684	8,681	3,827	12,508	39,192
Conferences and Meetings	13,125	6,578	19,703	934	174	1,108	20,811
Printing and Publications	1,895	6,558	8,453	114	2,155	2,269	10,722
Supplies	4,630	1,128	5,758	1,670	795	2,465	8,223
Postage	1,351	4,674	6,025	257	1,822	2,079	8,104
Transportation	3,505	1,208	4,713	815	243	1,058	5,771
Miscellaneous	368	63	431	4,964	80	5,044	5,475
Equipment Lease and Maintenance	2,698	605	3,303	1,104	469	1,573	4,876
Membership Dues and Subscriptions	2,706	1,091	3,797	221	134	355	4,152
Telephone	2,342	513	2,855	867	417	1,284	4,139
Insurance	2,082	506	2,588	876	330	1,206	3,794
Public Awareness	618	891	1,509	86	-	86	1,595
Staff Development	308	-	308	362	45	407	715
Total Expenses Before Depreciation	339,380	98,435	437,815	131,103	59,097	190,200	628,015
Depreciation	6,418	6,269	12,687	58	30	88	12,775
Total Expenses	\$ 345,798	\$ 104,704	\$ 450,502	\$ 131,161	\$ 59,127	\$ 190,288	\$ 640,790

The accompanying notes are an integral part of the financial statements.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (140,325)	\$ (119,073)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation	27,994	12,775
Changes in Assets and Liabilities:		
Pledges Receivable	90,107	(54,911)
Prepaid Expenses	2,123	(727)
Accounts Payable	(1,747)	(2,993)
Accrued Expenses	(10,805)	4,066
Net Cash Used In Operating Activities	<u>(32,653)</u>	<u>(160,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	<u>(38,973)</u>	<u>(51,075)</u>
Net Cash Used In Investing Activities	<u>(38,973)</u>	<u>(51,075)</u>
NET CHANGE IN CASH	(71,626)	(211,938)
CASH at Beginning of Year	<u>234,584</u>	<u>446,522</u>
CASH at End of Year	<u>\$ 162,958</u>	<u>\$ 234,584</u>

The accompanying notes are an integral part of the financial statements.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Charities Review Council of Minnesota, Inc. (the Council) is incorporated under the laws of the State of Minnesota as a nonprofit organization operating exclusively for charitable purposes.

The Council is an independent resource for both donors and nonprofits who desire to improve the community through strong, accountable charities supported by informed donors. The Council's mission is to mobilize donors and accountable nonprofits for the greater good. The Council does by this by:

- Empowering donors to make informed, thoughtful giving decisions
- Strengthening nonprofits by building accountability into their governance and operations

The Council reviews nonprofit organizations that voluntarily participate in its Accountability Wizard. Results of these reviews help the public determine the trustworthiness of a nonprofit organization before giving. Donors may access these review results as well as charitable giving tips on the Council's website or in their printed Giving Guide.

The Council also offers learning opportunities to nonprofit organizations by providing tools and resources for organizations to meet and sustain accountability. Where standards are not fully met, the Council provides technical assistance to help make structural, policy, or procedural changes.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Council and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control.

Temporarily Restricted - Reflects resources received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounting Estimates

The presentation of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

In preparing these financial statements, the Council has evaluated for recognition or disclosure the events or transactions that occurred through May 28, 2015, the date the financial statements were available to be issued.

Pledges Receivable

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows, if the present value factor is determined to be material. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history. The allowance for uncollectible contributions was \$0 at December 31, 2014 and 2013.

Property and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals exceeding \$1,000 are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years.

Revenue Recognition and Deferred Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as temporarily restricted net assets, even if it is anticipated such restrictions will be met in the current reporting period.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Deferred Revenue (Continued)

The Council has chosen to report contributions of cash and other assets for the purchase of fixed assets as temporarily restricted net assets. As depreciation is recognized over the estimated useful life of the fixed assets, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

The majority of fee for service revenues are for the Accountability Wizard, which covers a three year period. The Council recognizes all revenue in year one because the vast majority of Council time and effort occur in the first year.

Donated Services

Donated services are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased if not provided by donation. Contributed services, including promises to give, that do not meet these criteria are not recognized. Donated services were \$1,890 and \$1,412 for 2014 and 2013.

Many individuals have donated time and services to advance the Council's programs and objectives. The value of these services has not been recorded in the financial statements because it does not meet the definition of recognition under generally accepted accounting principles.

Volunteers provided approximately 1,362 and 1,401 service hours to the Council during the years ended 2014 and 2013.

Functional Allocation of Expense

Expenses are specifically identified with, or allocated to, program-related, administrative and fundraising functions. Expense allocations are generally computed based on the amount of time spent by employees performing those functions.

Allocation of Joint Fundraising Costs

The Council's Donor Information/Education program is conducted to achieve programmatic goals by utilizing the direct mail campaign's request for contributions. Costs of conducting the direct mail campaign totaled \$7,606 and \$9,569 as of December 31, 2014 and 2013. Joint costs allocated to the Donor Information/Education program was \$6,158 and \$8,421, allocated to management and general was \$1,184 and \$574, and allocated to fundraising was \$264 and \$574 in 2014 and 2013, respectively.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to income tax on net unrelated business income. The Council had no unrelated business income tax in 2014 and 2013.

The Council reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Council recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Council has identified no income tax uncertainties. The Council files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

The Council's federal and state returns are open to examination for tax years 2011 through 2013.

Credit Risk

Financial instruments which potentially subject the Council to concentrations of credit risk consist principally of cash. The Council places its cash with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. As of December 31, 2014, the Council had no significant concentrations of credit risk.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation. These reclassifications had no effect on net assets for either period.

NOTE 2 - PROMISES TO GIVE

The following is a schedule of unconditional promises to give at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Within 1 Year	\$ 41,627	\$ 126,734
In 1 to 5 Years	-	5,000
Total Contributions Receivable	<u>\$ 41,627</u>	<u>\$ 131,734</u>

As of December 31, 2014 and 2013, the Council had conditional promises to give as a result of being named as a beneficiary in individuals' wills. Conditional promises to give are not recordable under GAAP and, in addition, the amount of the conditional promises to give is undeterminable.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LEASE COMMITMENTS

The Council rents its principal office. This lease is noncancelable and expires July 31, 2018. The lease provides for annual base rent and also includes operating costs.

The Council also rents copier equipment. The lease expires in July 2018 and requires monthly payments of \$393.

Rent expense and future minimum rental commitments for these leases are as follows:

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
Expense:			
2014	\$ 43,409	\$ 4,716	\$ 48,125
2013	39,192	4,275	43,467
Commitments:			
2015	\$ 38,644	\$ 4,716	\$ 43,360
2016	40,417	4,716	45,133
2017	43,180	4,716	47,896
2018	<u>26,250</u>	<u>2,358</u>	<u>28,608</u>
Total Commitments	<u>\$ 148,491</u>	<u>\$ 16,506</u>	<u>\$ 164,997</u>

NOTE 4 - RETIREMENT PLAN

The Council has established a retirement plan pursuant to section 403(b) of the Internal Revenue Code. Eligible employees may contribute up to 100% of their salaries. The Council makes a discretionary contribution of 5% of eligible employee's compensation to the Plan and a discretionary matching contribution on a dollar-for-dollar basis up to an additional 2% of compensation. Plan expense was \$22,550 and \$23,105 in 2014 and 2013.

NOTE 5 - NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Campaign for Growth	\$ 69,140	\$ 127,877
Database Project	20,000	-
Planning Donor Tool	10,000	-
Time Restricted	9,000	20,500
Strengthening Projects/Grantmaker Services	7,125	-
Annual Forum	2,500	-
Capacity Building for Funded Agencies	<u>-</u>	<u>89,667</u>
Total Temporarily Restricted Net Assets	<u>\$ 117,765</u>	<u>\$ 238,044</u>

NOTE 6 - CONCENTRATION

The Council derived 15% of its revenues from a single donor, the United Way – Twin Cities, for the years ended December 31, 2014 and 2013. The Council also received 14% of its revenues from a private source for the year ended December 31, 2014.