

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

# CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

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## 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, 2015 and 2014, and the related statement 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 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 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 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, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota  
May 24, 2016

*Olsen Thielen & Co., Ltd.*

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 161,697	\$ 162,958
Pledges Receivable	38,300	41,627
Prepaid Expenses	4,533	12,757
Total Current Assets	<u>204,530</u>	<u>217,342</u>
PROPERTY AND EQUIPMENT:		
Office Equipment	14,010	14,010
Website Software	153,722	153,722
Total Property and Equipment	<u>167,732</u>	<u>167,732</u>
Less Accumulated Depreciation	<u>125,782</u>	<u>90,952</u>
Property and Equipment, Net	<u>41,950</u>	<u>76,780</u>
TOTAL ASSETS	<u>\$ 246,480</u>	<u>\$ 294,122</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 20,887	\$ 6,641
Accrued Expenses	5,636	6,065
Total Liabilities	<u>26,523</u>	<u>12,706</u>
NET ASSETS:		
Unrestricted	174,897	163,651
Temporarily Restricted	45,060	117,765
Total Net Assets	<u>219,957</u>	<u>281,416</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 246,480</u>	<u>\$ 294,122</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, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES:</b>						
Public Support:						
United Way Donations	\$ 79,045	\$ -	\$ 79,045	\$ 77,815	\$ -	\$ 77,815
Individuals	48,404	-	48,404	52,197	-	52,197
Corporations and Foundations	180,350	50,749	231,099	181,450	115,250	296,700
Contributed Services	2,500	-	2,500	1,890	-	1,890
In-Kind Contributions	375	-	375	-	-	-
Fee for Service	156,827	-	156,827	60,013	-	60,013
Annual Meeting	13,846	-	13,846	16,610	-	16,610
Other Revenue	507	-	507	-	-	-
Interest and Dividend Income	22	-	22	101	-	101
Net Assets Released from Restrictions	123,454	(123,454)	-	235,529	(235,529)	-
Total Support and Revenues	<u>605,330</u>	<u>(72,705)</u>	<u>532,625</u>	<u>625,605</u>	<u>(120,279)</u>	<u>505,326</u>
<b>EXPENSES:</b>						
Program Services:	445,038	-	445,038	474,785	-	474,785
Management and General	96,959	-	96,959	125,628	-	125,628
Fundraising	52,087	-	52,087	45,238	-	45,238
Total Expenses	<u>594,084</u>	<u>-</u>	<u>594,084</u>	<u>645,651</u>	<u>-</u>	<u>645,651</u>
CHANGE IN NET ASSETS	11,246	(72,705)	(61,459)	(20,046)	(120,279)	(140,325)
NET ASSETS, Beginning of Year	<u>163,651</u>	<u>117,765</u>	<u>281,416</u>	<u>183,697</u>	<u>238,044</u>	<u>421,741</u>
NET ASSETS, End of Year	<u>\$ 174,897</u>	<u>\$ 45,060</u>	<u>\$ 219,957</u>	<u>\$ 163,651</u>	<u>\$ 117,765</u>	<u>\$ 281,416</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, 2015**

	2015							Total All Services
	Program Services				Support Services			
	Nonprofit Services	Donor Information/ Education Services	Donor Nonprofit Relations	Total Program	Management and General	Fundraising	Total Support	
Salaries	\$ 116,387	\$ 30,956	\$ 54,699	\$ 202,042	\$ 54,720	\$ 29,274	\$ 83,994	\$ 286,036
Payroll Taxes	9,495	2,421	4,530	16,446	4,528	2,278	6,806	23,252
Retirement Plan Contribution	8,242	2,168	3,964	14,374	4,136	2,007	6,143	20,517
Employee Benefits	3,010	526	938	4,474	1,464	650	2,114	6,588
Total Personnel Expenses	<u>137,134</u>	<u>36,071</u>	<u>64,131</u>	<u>237,336</u>	<u>64,848</u>	<u>34,209</u>	<u>99,057</u>	<u>336,393</u>
Professional Fees	38,498	34,037	22,262	94,797	11,638	108	11,746	106,543
Occupancy	19,241	4,518	7,315	31,074	9,309	4,281	13,590	44,664
Conferences and Meetings	4,966	194	10,237	15,397	477	4,697	5,174	20,571
Printing and Publications	504	5,623	1,747	7,874	(56)	5,124	5,068	12,942
Bank Fees	—	—	444	444	6,205	9	6,214	6,658
Postage	235	3,846	170	4,251	(12)	1,576	1,564	5,815
Membership Dues and Subscriptions	2,955	959	426	4,340	758	25	783	5,123
Equipment Lease and Maintenance	2,022	514	687	3,223	1,002	491	1,493	4,716
Insurance	1,478	395	726	2,599	1,113	380	1,493	4,092
Telephone	1,691	403	682	2,776	827	383	1,210	3,986
Supplies	443	48	2,158	2,649	478	328	806	3,455
Transportation	1,090	155	78	1,323	106	141	247	1,570
Staff Development	1,181	—	—	1,181	93	263	356	1,537
Public Awareness	600	560	—	1,160	—	—	—	1,160
Miscellaneous	—	—	—	—	29	—	29	29
Total Expenses Before Depreciation	<u>212,038</u>	<u>87,323</u>	<u>111,063</u>	<u>410,424</u>	<u>96,815</u>	<u>52,015</u>	<u>148,830</u>	<u>559,254</u>
Depreciation	<u>17,373</u>	<u>17,157</u>	<u>84</u>	<u>34,614</u>	<u>144</u>	<u>72</u>	<u>216</u>	<u>34,830</u>
Total Expenses	<u>\$ 229,411</u>	<u>\$ 104,480</u>	<u>\$ 111,147</u>	<u>\$ 445,038</u>	<u>\$ 96,959</u>	<u>\$ 52,087</u>	<u>\$ 149,046</u>	<u>\$ 594,084</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, 2014**

	2014							Total All Services
	Program Services				Support Services			
	Nonprofit Services	Donor Information/ Education Services	Donor Nonprofit Relations	Total Program	Management and General	Fundraising	Total Support	
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>—</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>—</u>	<u>447,003</u>	<u>125,489</u>	<u>45,165</u>	<u>170,654</u>	<u>617,657</u>
Depreciation	<u>14,069</u>	<u>13,713</u>	<u>—</u>	<u>27,782</u>	<u>139</u>	<u>73</u>	<u>212</u>	<u>27,994</u>
Total Expenses	<u>\$ 354,185</u>	<u>\$ 120,600</u>	<u>\$ —</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 CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (61,459)	\$ (140,325)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation	34,830	27,994
Changes in Assets and Liabilities:		
Pledges Receivable	3,327	90,107
Prepaid Expenses	8,224	2,123
Accounts Payable	14,246	(1,747)
Accrued Expenses	<u>(429)</u>	<u>(10,805)</u>
Net Cash Used In Operating Activities	<u>(1,261)</u>	<u>(32,653)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	<u>—</u>	<u>(38,973)</u>
Net Cash Used In Investing Activities	<u>—</u>	<u>(38,973)</u>
NET CHANGE IN CASH	(1,261)	(71,626)
CASH at Beginning of Year	<u>162,958</u>	<u>234,584</u>
CASH at End of Year	<u>\$ 161,697</u>	<u>\$ 162,958</u>

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



# CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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 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

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### 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 24, 2016, 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, 2015 and 2014.

#### 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.

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.

# CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### **Revenue Recognition and Deferred Revenue (Continued)**

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, recorded at fair market value, 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 \$2,500 and \$1,890 for 2015 and 2014.

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 1,045 and 1,362 service hours to the Council during the years ended 2015 and 2014.

#### **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 \$8,938 and \$7,606 as of December 31, 2015 and 2014. Joint costs allocated to the Donor Information/Education program was \$7,927 and \$6,158, allocated to management and general was \$381 and \$1,184, and allocated to fundraising was \$630 and \$264 in 2015 and 2014, respectively.

#### **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 2015 and 2014.

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.

# CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2015, the Council had no significant concentrations of credit risk.

### NOTE 2 - PROMISES TO GIVE

The following is a schedule of unconditional promises to give at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Within 1 Year	<u>\$ 38,300</u>	<u>\$ 41,627</u>
Total Contributions Receivable	<u>\$ 38,300</u>	<u>\$ 41,627</u>

As of December 31, 2015 and 2014, 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.

### NOTE 3 - LEASE COMMITMENTS

The Council rents its principal office. This lease is non-cancelable 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:			
2015	\$ 44,664	\$ 4,716	\$ 49,380
2014	43,409	4,716	48,125
Commitments:			
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>\$ 109,847</u>	<u>\$ 11,790</u>	<u>\$ 121,637</u>

# CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$20,517 and \$22,550 in 2015 and 2014.

### NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Strengthening Projects/Grantmaker Services	\$ 16,734	\$ 7,125
Database Project	9,000	20,000
Campaign for Growth	8,826	69,140
Time Restricted	8,000	9,000
Annual Forum	2,500	2,500
Planning Donor Tool	—	10,000
Total Temporarily Restricted Net Assets	<u>\$ 45,060</u>	<u>\$ 117,765</u>

### NOTE 6 - CONCENTRATION

The Council derived 15% of its revenues from a single donor, the United Way – Greater Twin Cities, for the years ended December 31, 2015 and 2014. The Council has received notice in 2015 that they will no longer be receiving these revenues going forward.