

Charities Review Council of Minnesota, Inc.

Financial Statements Together with Independent Auditors' Report

December 31, 2016

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Charities Review Council of Minnesota, Inc.
Roseville, 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, 2016 and 2015, 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 audits. 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, 2016 and 2015 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.

Roseville, Minnesota
May 31, 2017

Olsen Thielen & Co., Ltd.

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS		
	2016	2015
CURRENT ASSETS:		
Cash	\$ 268,808	\$ 161,697
Pledges Receivable	136,298	38,300
Prepaid Expenses	5,643	4,533
Total Current Assets	410,749	204,530
EQUIPMENT AND SOFTWARE:		
Work in Process - Website/Software	75,751	-
Office Equipment	6,125	14,010
Website Software	108,722	153,722
Total Equipment and Software	190,598	167,732
Less Accumulated Depreciation	101,385	125,782
Equipment and Software, Net	89,213	41,950
TOTAL ASSETS	\$ 499,962	\$ 246,480
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 70,580	\$ 20,887
Accrued Expenses	4,677	5,636
Deferred Revenue	5,000	-
Total Liabilities	80,257	26,523
NET ASSETS:		
Unrestricted	187,355	174,897
Temporarily Restricted	232,350	45,060
Total Net Assets	419,705	219,957
TOTAL LIABILITIES AND NET ASSETS	\$ 499,962	\$ 246,480

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

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

**STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Public Support:						
United Way Donations	\$ 1,529	\$ -	\$ 1,529	\$ 79,045	\$ -	\$ 79,045
Individuals	39,683	-	39,683	48,404	-	48,404
Corporations and Foundations	255,400	291,000	546,400	180,350	50,749	231,099
In-Kind Contributions	3,300	-	3,300	2,875	-	2,875
Fee for Service	124,518	-	124,518	156,827	-	156,827
Annual Meeting	-	-	-	13,846	-	13,846
Other Revenue	728	-	728	507	-	507
Interest and Dividend Income	3	-	3	22	-	22
Net Assets Released from Restrictions	103,710	(103,710)	-	123,454	(123,454)	-
Total Support and Revenues	<u>528,871</u>	<u>187,290</u>	<u>716,161</u>	<u>605,330</u>	<u>(72,705)</u>	<u>532,625</u>
EXPENSES:						
Program Services:						
Program Services:	385,965	-	385,965	445,038	-	445,038
Management and General	94,758	-	94,758	96,959	-	96,959
Fundraising	35,690	-	35,690	52,087	-	52,087
Total Expenses	<u>516,413</u>	<u>-</u>	<u>516,413</u>	<u>594,084</u>	<u>-</u>	<u>594,084</u>
CHANGE IN NET ASSETS	12,458	187,290	199,748	11,246	(72,705)	(61,459)
NET ASSETS, Beginning 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>
NET ASSETS, End of Year	<u>\$ 187,355</u>	<u>\$ 232,350</u>	<u>\$ 419,705</u>	<u>\$ 174,897</u>	<u>\$ 45,060</u>	<u>\$ 219,957</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, 2016**

	2016							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	\$ 92,716	\$ 14,487	\$ 34,695	\$ 141,898	\$ 44,647	\$ 19,386	\$ 64,033	\$ 205,931
Payroll Taxes	7,246	1,132	2,695	11,073	3,691	1,515	5,206	16,279
Retirement Plan Contribution	5,196	898	2,032	8,126	2,730	1,138	3,868	11,994
Employee Benefits	796	188	280	1,264	2,939	180	3,119	4,383
Total Personnel Expenses	<u>105,954</u>	<u>16,705</u>	<u>39,702</u>	<u>162,361</u>	<u>54,007</u>	<u>22,219</u>	<u>76,226</u>	<u>238,587</u>
Professional Fees	87,708	35,596	13,595	136,899	20,030	-	20,030	156,929
Occupancy	21,853	3,492	8,764	34,109	11,022	4,277	15,299	49,408
Printing and Publications	1,683	5,315	354	7,352	357	5,540	5,897	13,249
Postage	163	3,474	57	3,694	-	2,361	2,361	6,055
Bank Fees	-	-	-	-	4,156	10	4,166	4,166
Equipment Lease and Maintenance	1,733	375	793	2,901	598	431	1,029	3,930
Conferences and Meetings	1,134	250	-	1,384	2,362	-	2,362	3,746
Telephone	1,688	247	582	2,517	601	324	925	3,442
Membership Dues and Subscriptions	2,028	797	156	2,981	-	32	32	3,013
Insurance	1,102	346	762	2,210	395	311	706	2,916
Transportation	775	28	-	803	62	53	115	918
Supplies	321	52	13	386	401	8	409	795
Staff Development	94	-	-	94	472	-	472	566
Public Awareness	-	200	-	200	-	-	-	200
Miscellaneous	-	-	-	-	5	-	5	5
Total Expenses Before Depreciation	<u>226,236</u>	<u>66,877</u>	<u>64,778</u>	<u>357,891</u>	<u>94,468</u>	<u>35,566</u>	<u>130,034</u>	<u>487,925</u>
Depreciation	<u>14,223</u>	<u>13,674</u>	<u>177</u>	<u>28,074</u>	<u>290</u>	<u>124</u>	<u>414</u>	<u>28,488</u>
Total Expenses	<u>\$ 240,459</u>	<u>\$ 80,551</u>	<u>\$ 64,955</u>	<u>\$ 385,965</u>	<u>\$ 94,758</u>	<u>\$ 35,690</u>	<u>\$ 130,448</u>	<u>\$ 516,413</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, 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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 199,748	\$ (61,459)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	28,488	34,830
Changes in Assets and Liabilities:		
Pledges Receivable	(97,998)	3,327
Prepaid Expenses	(1,110)	8,224
Accounts Payable	49,693	14,246
Accrued Expenses	(959)	(429)
Deferred Revenue	5,000	-
Net Cash Flows From Operating Activities	<u>182,862</u>	<u>(1,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Equipment and Software	<u>(75,751)</u>	-
Net Cash Flows From Investing Activities	<u>(75,751)</u>	-
NET CHANGE IN CASH	107,111	(1,261)
CASH at Beginning of Year	<u>161,697</u>	<u>162,958</u>
CASH at End of Year	<u>\$ 268,808</u>	<u>\$ 161,697</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 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. The new Diversity, Equity & Inclusion Toolkit is an affordable and accessible online resource for nonprofits to help them meet the Diversity, Equity & Inclusion Accountability Standard.

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 31, 2017, 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, 2016 and 2015.

Equipment, Software and Depreciation

Equipment, and software 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

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.

In-Kind Contributions

Included in in-kind contributions is donated services, recorded at fair market value. 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 \$2,850 and \$2,500 for 2016 and 2015.

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 786 and 1,045 service hours to the Council during the years ended 2016 and 2015.

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 \$9,504 and \$8,938 as of December 31, 2016 and 2015. Joint costs allocated to the Donor Information/Education program was \$8,233 and \$7,927, allocated to management and general was \$416 and \$381, and allocated to fundraising was \$855 and \$630 in 2016 and 2015, 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 2016 and 2015.

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, 2016, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Within 1 Year	<u>\$ 136,298</u>	<u>\$ 38,300</u>
Total Contributions Receivable	<u>\$ 136,298</u>	<u>\$ 38,300</u>

As of December 31, 2016 and 2015, 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. The Council cancelled its existing lease in November 2016 and entered into a new lease agreement (with the same lessor) for a different facility, effective December 1, 2016. This lease is non-cancelable and expires November 30, 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:			
2016	\$ 49,408	\$ 4,716	\$ 54,124
2015	44,664	4,716	49,380
Commitments:			
2017	\$ 27,128	\$ 4,716	\$ 31,844
2018	<u>25,245</u>	<u>2,358</u>	<u>27,603</u>
Total Commitments	<u>\$ 52,373</u>	<u>\$ 7,074</u>	<u>\$ 59,447</u>

CHARITIES REVIEW COUNCIL OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$11,994 and \$20,517 in 2016 and 2015.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Strengthening Projects/Grantmaker Services	\$ -	\$ 16,734
Database Project	-	9,000
Campaign for Growth	-	8,826
Time Restricted	104,000	8,000
Annual Forum	17,500	2,500
Diversity, Equity and Inclusion Toolkit	110,850	-
Total Temporarily Restricted Net Assets	<u>\$ 232,350</u>	<u>\$ 45,060</u>

NOTE 6 - CONCENTRATION

The Council derived 28% and 15% of its revenues from a single donor, for the years ended December 31, 2016 and 2015.

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

We have audited the financial statements of Charities Review Council of Minnesota, Inc. for the year ended December 31, 2016, and have issued our report thereon dated May 31, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 8, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Charities Review Council of Minnesota, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your president in our discussion of planning matters on April 12, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was as follows:

<u>Estimate</u>	<u>Management's Method of Determination</u>
Functional Expense Allocation	Based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.
Depreciation	Based on estimated useful lives of equipment.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We wish to thank the Council's management and staff for their assistance.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Recorded audit adjustments pertaining to deferred revenue and fee for service. The net effects of the adjustments were to decrease income and net assets by \$5,000.

We noted no uncorrected adjustments that, in our judgment, could have a significant effect on the Council's financial reporting process.

Significant Audit Findings (Continued)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representations letter dated May 31, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Council and is not intended to be and should not be used by anyone other than these specified parties.

Roseville, Minnesota
May 31, 2017

Olsen Thielen + Co., Ltd.