

inform
promote
connect
strengthen

Minnesota Council of Nonprofits
2005 Annual Report





pictured: MCN's executive director Jon Pratt and 2005 board chair Sarah A. Stoesz, president of Planned Parenthood of Minnesota, North Dakota, South Dakota, work together to lead MCN's efforts and activities in 2005.

from the executive director and board chair

Throughout this report you can see evidence of the changing landscape facing nonprofits and creative responses to these shifts. From the partial Minnesota state government shutdown to increasing participation in local elections, nonprofit organizations have recognized the benefits of joining forces in a strong state association.

MCN serves both as a support organization and a learning community – a place where the state’s nonprofits can share information, identify common interests and work together. MCN’s board is elected by its members, who represent every activity area, organization size, constituency and region of the state. Representing Minnesota’s nonprofit sector is a special challenge. Our state ranks at or near the top of every measure of charitable giving, volunteering, civic engagement and nonprofit activity. Surely if there is a location where the nonprofit sector can take its place as a full participant in a state’s economy, public policy and civic leadership, it is Minnesota!

Every five years MCN sets a new plan to guide its work, and 2005 represented the first year of the Minnesota Council of Nonprofits’ 2005-2009 Strategic Plan. This plan sets out five key themes for our work, described on the next page. The fifth theme represents a major addition to the MCN agenda: Expand the leadership of the sector. Over the next three years, MCN will offer a framework, tools and structured training and development opportunities for senior managers, board members and staff in key connecting roles within their organizations.

MCN will also be actively promoting and connecting its members to the rich variety of other leadership opportunities in the state, available through academic centers and special programs, and will co-sponsor conferences, trainings and research projects in this area.

None of our work to inform, promote, connect and strengthen the nonprofit sector is done alone. MCN builds on long-standing partnerships with a wide variety of organizations in Minnesota, and throughout the nation, that share our goals and mission. We are proud to recognize the contributions of our members and funding partners throughout this report – we are doing together what we cannot do apart, and Minnesota is the better for it.

Jon Pratt
Executive Director

Sarah A. Stoesz
2003-2005 Board Chair



The Minnesota Council of Nonprofits works to **inform, promote, connect and strengthen** individual nonprofits and the nonprofit sector.



pictured (clockwise from top left): A group of participants visits an exhibit at MCN's 2005 Annual Conference; A workshop participant engages during a session; MCN board members David Marly, Jeff Washburne, Nancy Kleeman and Graham Hartley and executive director Jon Pratt gather at a board and staff retreat; MCN's public policy director Marcia Avner leads a training of nonprofit leaders;

inform promote strengthen connect

In 2005 the board of directors of the Minnesota Council of Nonprofits (MCN) adopted a strategic plan to guide the organization's work through 2009. During a year of planning, MCN's board and committees started out by asking a question that has been on the table since MCN began in 1987: What can nonprofits do together to strengthen their ability to benefit their communities?

The plan culminated in five strategic themes:

1. Support the expanding capacity of individual organizations and the nonprofit sector to benefit society.
2. Identify and bridge the intersecting and varied needs and interests of Minnesota nonprofit organizations.
3. Establish a more complete understanding of the impact of the nonprofit sector on society.
4. Increase the nonprofit sector's influence in public policy.
5. Expand the leadership of the sector.

Community members and leaders from across the sector participated in the plan's development, led by Jeff Prauer, executive director of COMPAS. Committee members included Yvonne Cheung Ho (Metropolitan Economic Development Association), Graham Hartley (MIGIZI Communications), Mary Hartnett (Minnesota Commission Serving Deaf & Hard Hearing People), Dianne Haulcy (formerly with St. Stephen's Human Services, Inc.), Monica Herrera (formerly with Amherst H. Wilder Foundation, currently with Community Consulting Group), Sarah A. Stoesz (Planned Parenthood of Minnesota, North Dakota, South Dakota), James V. Toscano (formerly with Park Nicollet Health Systems, currently with Minneapolis Heart Institute Foundation) and Michael Wirth-Davis (Goodwill/EasterSeals of Minnesota).

For MCN, the surest measure of its value to nonprofits is their willingness to join as members, pay dues, participate in setting MCN's new direction and share information with their counterparts. MCN's membership continues to grow, with 1,552 organizations participating as active members in 2005. (You can find a list of MCN 1,600 current members, as of August 1, 2006, included in the insert of this report.)

The activities highlighted in this report demonstrate many of the ways MCN works to fulfill its mission to **inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.**

(The full text of MCN's 2005-2009 Strategic Plan and 2005 Audited Financial Statements are available at www.mncn.org/aboutmncn.htm.)

From WCCO-TV, Report finds slowdown in health care jobs, November 4, 2005

"[MCN's Minnesota Nonprofit Economy Report] said the sector remains important to the state's economy. Nonprofits have more than 250,000 jobs, or nearly 10 percent of the state's total. There are more than 5,900 active nonprofits – not including religious groups – in the state, with more than half of them in the twin cities."



"The work that MCN's Minnesota Budget Project does is invaluable. Simply put, the Minnesota Budget Project makes civic engagement possible. "

Mary Cecconi, Executive Director, Parents United for Public Schools



pictured: More than 1,300 participants gather at the 2005 MCN Annual Conference – *Framing: Crafting Messages that Build Support.*

inform

On July 1, 2005, after the state legislative process stalled, Minnesota's state government partially shut down for the first time in history. Nonprofits with state grants or contracts faced immediate cancellation, individuals on state assistance ceased receiving support and a wide range of services to the state's citizens – from rest stops to coverage for medical assistance – were closed or diminished. MCN responded to this crisis by informing its members and other nonprofits of the critical issues and advocating for hundreds of organizations dealing with increased client loads and stalled income streams. MCN organized briefings and sent e-mail alerts to thousands of nonprofits providing up-to-date information to help organizations plan effectively for the short- and long-term. In addition, MCN was a continuous source of information on other areas of public policy throughout the legislative session and beyond through briefings on other issues that affect nonprofits, including the impact of the state budget deficits on local government's budgets, issues affecting Minnesota's children, the effects of Hurricane Katrina and TABOR (also known as the Taxpayers Bill of Rights, a harmful proposal to severely restrict state government resources).

Nonpartisan analysis from MCN's Minnesota Budget Project informed the fiscal policy debate, making the case for a balanced approach to the state and federal budget, tax fairness and adequate funding of government services that help Minnesotans reach self-sufficiency. During 2005, the Minnesota Budget Project produced new reports on how the state budget affects specific populations of Minnesota, the renters' credit and other tax and budget issues. Information and ideas gleaned from these reports was regularly referenced by lawmakers, the media and nonprofits.

Nonprofit News, MCN's quarterly newsletter, gave nonprofit leaders insight on local and national news and trends in the sector, such as new IRS regulations, turnover rates in Minnesota nonprofits, election law changes and risk management issues. In 2005 MCN produced the *2005 Minnesota Nonprofit Economy Report*, an annual study describing the nonprofit contribution to Minnesota's economy, and the *2006 Minnesota Grants Directory*, a directory of available grantmakers in Minnesota for nonprofits. More than 3,000 resource publications were distributed throughout the year, 1,100 of which were sent free of charge to MCN member organizations.

Several regular e-mail alerts continue to inform nonprofit and community leaders about the issues affecting their organizations and the people they serve. Over 9,000 readers subscribe to the *Minnesota Grants Alert*, *EventsEtc.*, *Legislative Update*, *Minnesota Budget Project Update*, *Minnesota Participation Project Update* and many have asked to receive occasional updates on specific issues such as TABOR, the estate tax and other federal budget issues.

MCN's Web site, www.mncn.org, stood out as the single most consulted source of information by members, with 360,000 distinct visitors and 35 million total hits in 2005. Online services such as the Job Board, NonprofitYellowPages.org, informational articles, document samples and FAQs kept nonprofit managers, board members and volunteers coming back to this free and always available robust online resource.

From the Fargo Forum, *Estate tax ads don't tell the truth*, September 17, 2005

"According to the Minnesota Council of Nonprofits, the estate tax affects less than 2 percent of the wealthiest estates. In Minnesota, repeal of the estate tax would translate into a loss of \$197 million per year in charitable giving, or an average of \$41,652 per charity."



"The *Giving Guide* supplement in the Pioneer Press is a great effort to educate the public about nonprofits and promote charitable giving. MCN is doing a tremendous job leading this sector in very challenging times."

Tom Kingston, President, Amherst H. Wilder Foundation



pictured: A volunteer with MCN's Minnesota Participation Project hangs a banner encouraging people to vote on Election Day.

promote

Minnesotans overwhelmingly support the nonprofit sector, through their volunteer hours, memberships, contributions and participation. Minnesotans also want to make sure their contributions go as far as possible and they support the idea that nonprofits should continue to be free from paying sales and property taxes. However, public support cannot be taken for granted. It is increasingly important for nonprofits to be recognized for the important work that they do. MCN spends much of its time being an advocate for the sector – in the media, at the legislature and to the public. To better respond to emerging needs, MCN launched the Nonprofit Repositioning Fund this year. This dedicated fund was established to promote the sector and the unique value of nonprofits. It will be put to use in a variety of campaigns and activities over the coming years.

MCN frequently takes advantage of opportunities to highlight the outstanding work of nonprofits in Minnesota. Members annually honor their peers through the Nonprofit Mission Awards and Nonprofit Excellence Awards. In the summer of 2005, MCN members voted online and chose four organizations to receive the Nonprofit Mission Awards: the Minnesota American Indian Chamber of Commerce received the Advocacy award for its ground-breaking efforts in American Indian get-out-the-vote activities; Hmong Women's Giving Circle received the Responsive Philanthropy award for its work involving the Hmong community in fundraising and philanthropic activities; Admission Possible received the Innovation award for its unique work assisting economically disadvantaged Minnesota students in making college admissions a reality; and the YWCA received Minneapolis for the Anti-Racism Initiative award for its racial justice work which makes racial justice part of its core mission. Project for Pride in Living and the Fergus Falls Senior Citizens Program were chosen to receive the 2005 Nonprofit Excellence Awards.

To further promote the importance of nonprofits in our communities, MCN and the St. Paul Pioneer Press produced a giving guide, *"We All Profit From Nonprofits,"* a pullout section of the Thanksgiving Day newspaper highlighting the work of nonprofits and how readers can plan their holiday charitable giving. More than 100 organizations participated in the section by contributing information or photos or purchasing advertising within the section.

In addition, it is important for the public to see nonprofits as more than a place to volunteer or donate. MCN promotes nonprofits as a viable place of employment and helps to ensure the continuation of quality leadership in the sector through its Job Board, appearances at Job Fairs and presentations to students and jobseekers about potential employment within the nonprofit sector. A bright sign for the future is the large number of highly motivated people who want to associate with nonprofits, and MCN is proud to help make that connection.

From the Pioneer Press Nonprofit Giving Guide, *Everyone benefits from nonprofit organizations*, November 24, 2005

"Minnesota's nonprofit organizations serve and enrich communities statewide. More than 5,900 nonprofits play a dynamic and central role in the lives of individuals and families through programs, services and civic participation initiatives. Nonprofits' activities span the range of opportunities and needs in Minnesota, making Minnesota No. 1 in 'Quality of Life' among the states."



"The MCN Annual Conference is always interesting, stimulating and inspiring. I look forward to it every year and appreciate hearing new information and ideas. It renews my energy!"

Feedback from MCN's 2005 Annual Conference Evaluation

connect

Minnesota's nonprofit sector is wide and vast, touching all parts of the state and virtually every woman, man and child in Minnesota. According to MCN's *2005 Minnesota Nonprofit Economy Report*, there are more than 4,700 nonprofits with employees throughout the state and many more volunteer-based organizations. MCN serves as a connection between various types and sizes of organizations across Minnesota, bringing together their leaders and staff members to share thoughts and experiences across subsector lines.

Over 1,300 nonprofit leaders came together for MCN's 19th Annual Conference – *Framing: Crafting Messages that Build Support*. Several prominent leaders including Joseph Grady, co-founder of Cultural Logic and research collaborator at the FrameWorks Institute, William H. Kling, president and CEO of American Public Media Group | Minnesota Public Radio, Gloria Perez Jordan, executive director of The Jeremiah Program, and Janis Lane-Ewart, executive director of KFAI Fresh Air Radio, provided insight and perspective on how the sector can more effectively engage the consciousness of decision-makers, constituents and the public in order to advance their missions.

MCN expanded its peer-exchange opportunities in 2005 through brown bag lunches and the Minnesota Dialogues on Africa. During free brown bag lunches facilitated by MCN, nonprofit leaders and staff meet regularly to share information, challenges and successes and to learn from their peers. MCN also began the Minnesota Dialogues on Africa, in partnership with Leadership Empowerment and Development Group in 2005. The Dialogues provide a place for nonprofit leaders working in and with the African immigrant community to share and reflect on topics such as fragmentation between African Americans and Africans and self-sufficiency for African nations.

To help broaden the connections between organizations in greater Minnesota, MCN began forming regional policy cabinets in across the state, focusing primarily on local issues, particularly in rural areas. In addition to working with chapters in Duluth, Grand Rapids and Bemidji, MCN's regional cabinets in southwest and west central Minnesota and south central Minnesota will continue to provide grounds for sharing and strategizing about policy issues specific to those regions.

One of MCN's most visible efforts to connect the sector and the community has been in the area of civic engagement – helping nonprofits conduct nonpartisan voter engagement, especially in traditionally under-represented communities. MCN's Minnesota Participation Project (MPP) recruited Somali, Hmong and Spanish-speaking trainers to inspire people to get involved and make their voices heard on the issues that impact their lives (including immigration, housing, healthcare and education). The result was an increase in nonpartisan nonprofit election activity and a striking increase in the participation of under-represented communities at the polls. On St. Paul's west side, a traditionally low voter turnout community where MPP concentrated its efforts, there was a 17 percent increase in voter participation from the 2000 election to the 2004 election and a significant spike in same day voter registration compared to other precincts. MPP's work will continue into the 2006 election year and beyond.

From the Star Tribune, *Camp Ripley prepares for up to 3,000 Katrina refugees*, September 5, 2005

"Marcia Avner, public policy director for the Minnesota Council of Nonprofits, said Minnesota's experience with the Hmong and other refugees have prepared it for Katrina survivors. But budget cuts for health assistance and job training since 2001 have hurt. 'We're not what we were five years ago. And the reality is, private charity cannot make up the difference,' she said."



“Thanks for the two excellent workshops that I recently attended. Both were excellent and I now feel better equipped to address advocacy issues for Minnesota Waters to our highest advantage.”

Paula West, Director Public Policy and Conservation Stewardship, Minnesota Waters



strengthen

The final aim of MCN's mission is to strengthen organizations – and in turn – the sector. With release of the second edition of the *Principles and Practices for Nonprofit Excellence* in 2005, MCN advanced the fundamental values of quality, responsibility and accountability with a document that all nonprofits can use to evaluate and improve their organizations. This is a time when issues of transparency and accountability are paramount and this guide emphasizes best practices for board members and managers in those areas.

Using the *Principles and Practices for Nonprofit Excellence* as a foundation, MCN provided timely and accessible training on the functions covered by the *Principles*, including governance, planning, transparency and accountability, fundraising, financial management, human resources, evaluation, and civic engagement and public policy. More than 5,000 participants attended MCN's workshops and conferences in 2005, up 40 percent from 2004. The success of these trainings can be attributed to the focus on both sharing the practical and grounded information that nonprofits need to effectively and efficiently manage their organizations and providing information on the larger context in which nonprofits are operating.

Another way MCN builds the capacity of organizations is through strengthening their ability to advocate for their causes. In 2005 MCN expanded its policy and advocacy training programs and experienced a 36 percent increase in the number of participants learning the basics or advancing their skills in advocacy. This expansion included an increased presence in greater Minnesota, where staff brought together nonprofits to discuss local issues and provided resources to help them become more effective advocates.

Nonprofits managers also look at the bottom line. To this end, MCN has negotiated discounts and services on behalf of its 1,600 members from a select group of businesses, including Bremer Bank, Mutual of America and Schwarz Williams Companies. In 2005, MCN completed negotiations with Office Max to offer members substantial discounts on office supplies and printing and document services. Members now save up to 80 percent off retail prices on items they already purchase and use. This savings translates into a direct gain for organizations; as a result, there are more resources available for mission-related activities.

MCN also represents its members interests locally and nationally. MCN's executive director, Jon Pratt, was named to the national Panel on the Nonprofit Sector, bringing the perspective of Minnesota organizations to a national audience of influencers. Along with 24 of the country's most prominent nonprofit leaders, Pratt helped shape recommendations to the U.S. Senate Finance Committee on federal nonprofit and foundation regulations. While Pratt was representing Minnesota nonprofit interests nationally, MCN's public policy director, Marcia Avner, was tapped to serve on Governor Pawlenty's Drive to Excellence initiative, a continuing effort to make the state government provide faster, more reliable and cost-effective services to its citizens.

From the Hmong Times, Minnesota Council of Nonprofits holds training aimed at Hmong community, July 16, 2005

"On June 16, the Minnesota Council of Nonprofits held a training session...aimed at members of boards of directors, executive directors and financial managers of Hmong nonprofits. 'The goal is to help organizations succeed. It's obeying the law,' said Jon Pratt, MCN executive director."

financial position

This is an excerpt from MCN's independent financial audit for a full copy, visit www.mcn.org/about

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the Minnesota Council of Nonprofits as of December 31, 2005 and 2004, and the related statement of activity, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Minnesota Council of Nonprofits' management. Our responsibility is to express an opinion on these financial statements based on the 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 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 Minnesota Council of Nonprofits as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sherry D. Heffernan, Ltd.
April 5, 2006

STATEMENT OF FINANCIAL POSITION

December 31, 2005 and 2004

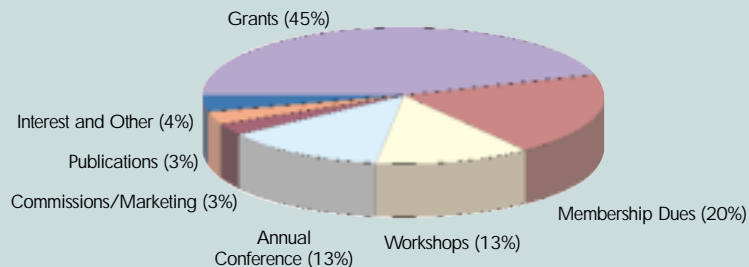
	2005	2004
ASSETS		
Cash, including savings of \$297,768 in 2005 and \$100,205 in 2004	\$300,893	\$110,458
Investments	11,978	11,430
Accounts receivable	16,948	28,910
Unconditional promises to give	509,750	494,875
Inventory	23,045	32,608
Prepaid expenses	28,284	15,193
Furniture and equipment, net	41,611	53,083
TOTAL ASSETS	\$932,509	\$746,557
LIABILITIES		
Note payable	\$9,471	\$ -
Accounts payable	24,328	37,197
Accrued payroll and related taxes	39,286	27,789
Deferred revenue	12,200	400
	85,285	65,386
NET ASSETS		
Unrestricted (deficit)	(15,359)	(25,229)
Temporarily restricted	862,583	706,400
TOTAL NET ASSETS	847,224	681,171
TOTAL LIABILITIES AND NET ASSETS	\$932,509	\$746,557

STATEMENT OF FUNCTIONAL EXPENSES

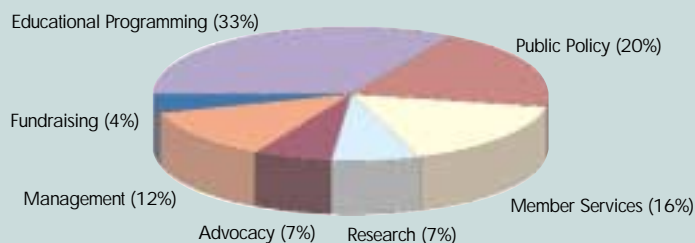
Year Ended December 31, 2005

	Program Services	Management and General	Fund Raising	Total
Salaries, taxes, benefits	\$772,836	\$154,457	\$55,768	\$983,061
Consultants	47,152	3,910	1,412	52,474
Occupancy costs	82,837	16,556	5,978	105,371
Office supplies	12,674	2,062	744	15,480
Telephone	8,574	1,353	488	10,415
Postage	35,770	3,164	1,142	40,076
Printing and copying	45,491	3,328	1,202	50,021
Newsletter and publishing	45,713	-	-	45,713
Dues and subscriptions	4,131	633	228	4,992
Advertising	389	78	28	495
Bank and merchant fees	9,857	-	593	10,450
Professional fees	2,138	7,006	154	9,298
Equipment	4,836	967	349	6,152
Workshop expense	92,756	-	-	92,756
Travel	10,145	1,337	483	11,965
Meeting expenses	17,457	1,029	371	8,857
Conference	122,517	-	-	22,517
Miscellaneous	8,170	1,464	529	10,163
Grants	4,600	-	-	4,600
Interest expense	812	221	-	1,033
Depreciation	30,607	6,121	2,208	38,936
Total expenses	\$1,359,462	\$203,686	\$71,677	\$1,634,825

Revenue Sources



Expenses



STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2005 and 2004

	2005	2004
UNRESTRICTED NET ASSETS		
Unrestricted Revenues:		
Foundation and corporate grants	\$181,583	\$205,209
Membership dues	326,958	273,105
Member services	230,562	136,219
Annual conference	214,163	136,065
Publications	46,223	63,895
Consulting income	17,378	50,375
Commissions and marketing income	43,812	52,407
Interest income	1,705	2,219
Miscellaneous income	23,744	30,196
TOTAL UNRESTRICTED REVENUES	1,086,128	949,690
Net assets released from restrictions		
Restrictions satisfied by payments	558,567	594,287
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	1,644,695	1,543,977
Expenses:		
Program services:		
Education	544,813	415,237
Public policy	321,985	494,950
Member services	268,934	270,394
Research	116,706	117,052
Advocacy	107,024	106,664
Total program services	1,359,462	1,404,297
Management and general	203,686	221,307
Fundraising	71,677	76,525
TOTAL EXPENSES	1,634,825	1,702,129
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS	9,870	(158,152)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	714,750	1,051,000
Net assets released from restrictions	(558,567)	(594,287)
INCREASE IN TEMPORARILY RESTRICTED ASSETS	156,183	456,713
INCREASE IN NET ASSETS	166,053	298,561
NET ASSETS AT BEGINNING OF YEAR	681,171	382,610
NET ASSETS AT END OF YEAR	\$847,224	\$681,171

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

1) Organization

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

MCN's program services are as follows:

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

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

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

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

Advocacy – Undertakes direct and grassroots lobbying campaigns that address specific legislative proposals affecting nonprofit organizations and the communities they serve.

2) Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, MCN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. MCN has no permanently restricted net assets.

Concentrations of Credit Risk

MCN maintains cash balances at several financial institutions. At times MCN has funds on deposit that exceed the Federal Deposit Insurance Corporation insurance limit of \$100,000.

Financial instruments that potentially subject MCN to concentrations of credit risk consist principally of promises to give. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the organization's contributor base.

Concentration of Contributions

MCN received approximately 52% of its unrestricted revenues and other support in 2004 from three separate donors. There were no significant concentrations in 2005.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments

MCN carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of

liabilities, or expenses depending on the form of the benefits received.

Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Furniture and Equipment

MCN capitalizes all expenditures for furniture and equipment in excess of \$1,000. Purchased furniture and equipment is recorded at cost. Donated furniture and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over an estimated useful life of five years.

Deferred Revenue

Income from membership dues is deferred and recognized in the year to which the dues relate.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by MCN.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

MCN has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and contributions by donors are tax deductible.

3) Investments

Investments consist of an equity fund recorded at market value of \$11,978 and \$11,430 at December 31, 2005 and 2004, respectively. An unrealized gain of \$548 and \$1,103 was recognized in 2005 and 2004, respectively.

4) Unconditional Promises to Give

Unconditional promises to give are as follows:

	2005	2004
Bush Foundation	\$50,000	-
Beldon Fund	55,000	-
Ford Foundation	-	84,375
Fannie Mae Foundation	50,000	-
The McKnight Foundation	120,000	240,000
Minneapolis Foundation	100,000	-
Otto Bremer Foundation	90,000	180,000
Other	47,750	500
Total unconditional promises to give	512,750	504,875
Less discount to net present value	-3,000	-10,000
Net unconditional promises to give	\$509,750	\$494,875

Unconditional promises to give are receivable as follows:

	2005	2004
Receivable in less than one year	\$458,500	\$294,875
Receivable in one to two years	54,250	210,000
	\$512,750	\$504,875

Unconditional promises to give at December 31, 2005 are primarily restricted for use in future years for specific programs. Promises to give receivable in more than one year are discounted at approximately three percent.

5) Furniture and Equipment

Furniture and equipment consists of the following:

	2005	2004
Furniture	\$83,539	\$83,539
Equipment	120,245	92,781
Leasehold improvements	3,500	3,500
	207,284	179,820
Less accumulated depreciation	165,673	126,737
	\$41,611	\$53,083

Depreciation of \$38,936 and \$35,074 was recorded for the years ended December 31, 2005 and 2004, respectively.

6) Notes Payable

MCN has a \$75,000 line of credit, which was unused at December 31, 2005. Bank advances on the credit line are payable on demand and carry an interest rate of 6.50%. The credit line is secured by accounts receivable, promises to give, inventory, equipment and general intangibles. The line of credit expires on June 1, 2006.

MCN also has a 6.75% note payable to a local bank payable in monthly installments of \$394, secured by office equipment. The principal balance outstanding at December 31, 2005 was \$9,471 and the note is due February 2008.

The future scheduled maturities of long-term debt are as follows:

Years Ending December 31,	
2006	\$ 4,181
2007	4,508
2008	782
	<u>\$ 9,471</u>

7) Office and Equipment Leases

MCN leases office space under an operating lease, which expires September 30, 2007. Monthly rent is approximately \$7,700 which includes utilities, real estate taxes and insurance. Rent expense was \$105,370 in 2005 and \$112,132 in 2004.

It also has several noncancelable operating equipment leases that expire at various dates through 2008.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2005 are as follows:

Years Ending December 31,	
2006	\$ 103,807
2007	79,795
2008	5,376
Thereafter	-
	<u>\$ 188,978</u>

8) Grants and Allocations

In 2005, grants and allocations expense included eleven mini-grants totaling \$3,600 from the Minnesota Participation Project to 501(c)(3) nonprofit organizations for nonpartisan voter education events and a total of \$1,000 for the recipients of the 2005 Nonprofit Mission Awards.

8) Grants and Allocations, continued

In 2004, grants and allocations expense included twenty-three mini-grants totaling \$8,872 from the Minnesota Participation Project to 501(c)(3) nonprofit organizations for nonpartisan voter education events, a total of \$1,000 for the recipients of the 2004 Nonprofit Mission Awards, and an allocation of \$108,427 to the Minnesota Community Action Association Resource Fund to support the work of the Affirmative Options Coalition.

9) Retirement Plan

MCN has a defined contribution retirement plan covering all eligible employees. The contribution is at the discretion of the Board of Directors. Employees are eligible to participate in the plan after one month of service. Contributions to the plan were \$36,500 in 2005 and \$37,649 in 2004.

10) Restrictions on Net Assets

Temporarily restricted net assets of \$862,583 and \$706,400 as of December 31, 2005 and 2004, respectively, are available for specific programs.

11) Commitments

MCN has entered into a cancelable agreement for meeting space related to a conference in 2006. The cancellation clause calls for payments to be made for conference space if cancellation occurs within a specified time frame prior to the event. The maximum amount payable for the commitment related to the conference is approximately \$10,800.

12) Donor Restrictions

Certain grants from donors are subject to audit by the donor. Such audits could result in claims against the organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.



"We are a small nonprofit in northern Minnesota and have very limited resources within close proximity. I rely on MCN to keep me educated and posted on important information."

Tina Eischens, Executive Director, Human Achievement & Performance Academy



pictured (clockwise from top): The MCN team gathers outside their office; MCN board member Michael Thorsteinson, MCN deputy policy director Jeannie Fox, federal policy director Steve Francisco and Twin Ports regional coordinator Mary Streufert enjoy a board and staff gathering; MCN staff member Joshua Winters shares nonprofit nonpartisan civic participation strategies.

who we are

MCN Staff

Marcia Avner, *Public Policy Director*
Nancy Brown, *Twin Ports Area Nonprofit Coalition Intern* *
Ayantu Daka, *Administrative Associate*
Elena Doucet-Béer, *Legislative Assistant* *
Shelly Dreyling, *Operations Manager*
Christine Durand, *Communications and Marketing Manager*
Jeannie Fox, *Deputy Public Policy Director*
Steve Francisco, *Federal Policy Director*
Nicole Garst, *Program Associate*
Marilyn Grantham, *Research Fellow* +
Stephanie Haddad, *Program Director*
Trisha Hasbargen, *Program Assistant* +
Foung Heu, *Information Systems Manager* *
Christina Macklin, *Policy Analyst*
Nan Madden, *Minnesota Budget Project Director*
Dania Miwa, *Executive Assistant*

Leslie Nitabach, *Membership and Development Manager*
Ann Potthoff, *Office Assistant*
Jon Pratt, *Executive Director*
Sondra Reis, *Associate Director*
Bridgette Rongitsch, *Civic Engagement Organizer*
Jorge Saavedra, *Nonprofit Voter Engagement Network Project Director*
Adam Schank, *Legislative Intern*
Mary Streufert, *Twin Ports Regional Coordinator*
Stephanie Tribby-Walbridge, *Principles and Practices Fellow* *
Bao Vang, *Leadership Program Coordinator*
Joshua Winters, *Public Policy Associate*

* Work completed in 2005

+ Work completed in 2006

2005 MCN Board of Directors

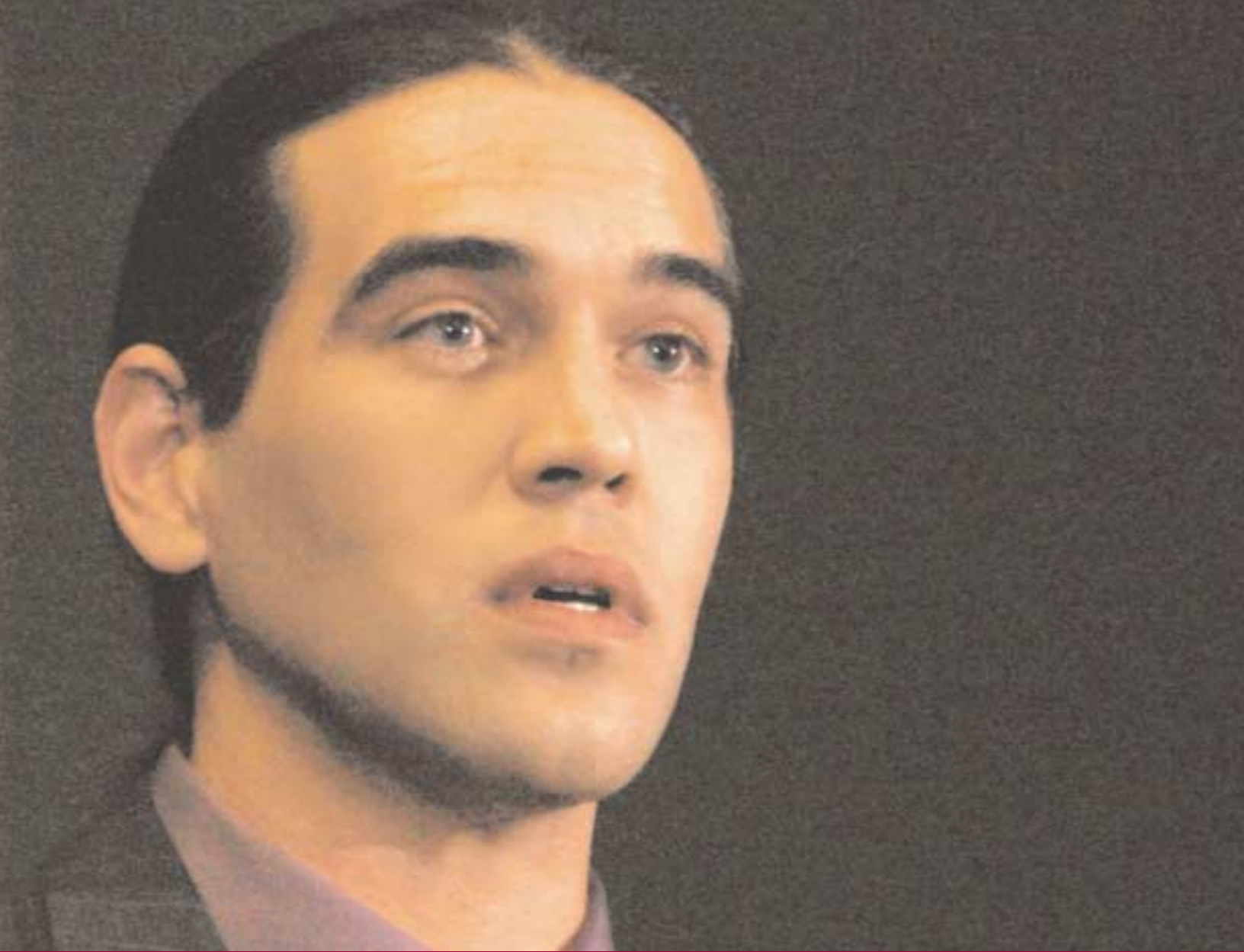
Paul Carrizales
Yvonne Cheung Ho, *Vice Chair, Metropolitan Economic Development Association*
Nancy Cross, *Brainerd Community Action Council of Crow Wing County*
Peter Dross, *Center for Victims of Torture*
Folarin Ero-Phillips, *African American Relief and Development Initiative*
Graham Hartley, *MIGIZI Communications*
Verna Hasbargen, *Minnesota Rural Education Association*
Ron Kroese, *Minnesota Environmental Partnership*
Craig Luedemann, *YouthCARE*
Jeff Prauer, *Secretary, COMPAS*

Wendy Roy, *Vice Chair, Grand Rapids Area Community Foundation*
Sarah A. Stoesz, *Chair, Planned Parenthood of Minnesota, North Dakota, South Dakota*
Michael Thorsteinson, *Three Rivers Community Action*
Jeff Washburne, *Treasurer, City of Lakes Community Land Trust*
Joan Wells, *Minnesota Center for Environmental Advocacy*
Tené Wells, *WomenVenture*
Michelle Wiethoff, *Western Community Action*

2006 MCN Board of Directors

Yvonne Cheung Ho, *Vice-Chair, Metropolitan Economic Development Association*
Nancy Cross, *Brainerd Community Action Council of Crow Wing County*
Peter Dross, *Treasurer, Center for Victims of Torture*
Candice Harshner, *Program for Aid to Victims of Sexual Assault (PAVSA)*
Graham Hartley, *MIGIZI Communications*
Verna Hasbargen, *Vice-Chair, Minnesota Rural Education Association*
Qamar O. Ibrahim, *Leadership Empowerment and Development Group*
Carla Johnson, *Channel One Food Bank & Food Shelf*
Nancy Kleeman, *The Fund for the Legal Aid Society*

Craig Luedemann, *YouthCARE*
David Marty, *Reif Arts Council*
Charles Oakes, *West Central Industries*
Keith Parker, *Twin Cities Public Television*
Karri Plowman, *The Minnesota American Indian Chamber of Commerce*
Jeff Prauer, *Secretary, COMPAS*
Lori Stone, *Seward Neighborhood Group*
Michael Thorsteinson, *Three Rivers Community Action*
Jeff Washburne, *Chair, City of Lakes Community Land Trust*
Joan Wells, *Minnesota Center for Environmental Advocacy*



pictured: MCN board member Karri Plowman accepts the Nonprofit Mission Award for Advocacy on behalf of The Minnesota American Indian Chamber of Commerce.

thanks to

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The Patrick and Aimee Butler Family Foundation
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Center on Budget and Policy Priorities
Civil Society Institute
The Ford Foundation
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The John S. and James L. Knight Foundation
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Xcel Energy Foundation

Individual Donors

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Paul Carrizales
Claire Chang
Yvonne Cheung Ho
Nancy Cross
Peter Dross
Folarin Ero-Phillips
Graham Hartley
Verna Hasbargen
Nancy Kleeman
Ronald Kroese
Craig Luedemann
Earl McGovern
Jeffrey Prauer
Wendy Roy
Sarah Stoesz
Michael Thorsteinson
Laurie VanWert
Jeffrey Washburne
Joan Wells
Michelle Wiethoff
Michelle Woster

Thank you to the many volunteers who gave their ideas and energy to MCN's mission in 2005 through their work in the following committees:

Annual Conference Committee
Itasca Area Nonprofit Council Advisory Committee
Minnesota Budget Project Advisory Committee
Public Policy Cabinet
Twin Ports Area Nonprofit Coalition Advisory Committee

Minnesota Council of Nonprofits

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