

DIVERSITY COUNCIL

FINANCIAL REPORTS

DECEMBER 31, 2008 AND 2007

DIVERSITY COUNCIL
ROCHESTER, MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Diversity Council
Rochester, Minnesota

We have audited the accompanying statements of financial position of the Diversity Council(a nonprofit organization) as of December 31, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Diversity Council as of December 31, 2007 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their reports dated July 14, 2008.

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 provide a reasonable basis for our opinion.

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

Rochester, Minnesota
May 15, 2009

DIVERSITY COUNCIL

STATEMENT OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS	2008	2007
Current Assets		
Cash and cash equivalents	\$ 126,522	\$ 53,817
Certificates of deposit	75,000	95,000
Accounts receivable	500	800
Interest receivable	544	3,096
Pledges receivable	15,993	22,495
Prepaid expenses	2,695	1,772
Total Current Assets	221,254	176,980
Equipment, at cost		
Equipment	44,862	38,648
Less: Accumulated depreciation	(34,567)	(31,084)
Equipment, Net	10,295	7,564
TOTAL ASSETS	\$ 231,549	\$ 184,544

<u>LIABILITIES AND NET ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts payable	\$ 4,498	\$ 2,821
Accrued payroll and payroll taxes	6,331	3,552
Copier lease (Note 4)	512	1,493
	<u>11,341</u>	<u>7,866</u>
Net Assets		
Unrestricted	177,053	159,778
Temporarily restricted (Note 3)	43,155	16,900
	<u>220,208</u>	<u>176,678</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 231,549</u>	<u>\$ 184,544</u>

DIVERSITY COUNCIL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Totals
Public Support			
Contributions and grants	\$ 131,667	\$ 86,800	\$ 218,467
Memberships	46,939	-	46,939
Total Public Support	178,606	86,800	265,406
Revenues			
Program fees	31,793	35,000	66,793
Interest income	2,649	-	2,649
Other revenues	-	-	-
Total Revenues	34,442	35,000	69,442
Net Assets Released From			
Restrictions	95,545	(95,545)	-
Total Public Support and Revenues	308,593	26,255	334,848
Expenses			
Program services			
Education	175,664	-	175,664
Communication	16,320	-	16,320
Community Collaboration	36,054	-	36,054
Celebrations	6,831	-	6,831
Total Program Services	234,869	-	234,869
Support services			
Membership and development	30,337	-	30,337
Management and general	26,112	-	26,112
Total Support Services	56,449	-	56,449
Total Expenses	291,318	-	291,318
Change in Net Assets	17,275	26,255	43,530
Net Assets - Beginning of Year	159,778	16,900	176,678
Net Assets - End of Year	\$ 177,053	\$ 43,155	\$ 220,208

DIVERSITY COUNCIL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Totals
Public Support			
Contributions and grants	\$ 117,326	\$ 43,200	\$ 160,526
Memberships	52,121	35,000	87,121
Total Public Support	<u>169,447</u>	<u>78,200</u>	<u>247,647</u>
Revenues			
Program fees	30,348	-	30,348
Interest income	7,868	-	7,868
Other revenues	-	-	-
Total Revenues	<u>38,216</u>	<u>-</u>	<u>38,216</u>
Net Assets Released From Restrictions	66,199	(66,199)	-
Total Public Support and Revenues	<u>273,862</u>	<u>12,001</u>	<u>285,863</u>
Expenses			
Program services			
Education	143,796	-	143,796
Communication	29,589	-	29,589
Community Collaboration	26,819	-	26,819
Celebrations	7,969	-	7,969
Total Program Services	<u>208,173</u>	<u>-</u>	<u>208,173</u>
Support services			
Membership and development	26,272	-	26,272
Management and general	32,192	-	32,192
Total Support Services	<u>58,464</u>	<u>-</u>	<u>58,464</u>
Total Expenses	266,637	-	266,637
Change in Net Assets	7,225	12,001	19,226
Net Assets - Beginning of Year	<u>152,553</u>	<u>4,899</u>	<u>157,452</u>
Net Assets - End of Year	<u>\$ 159,778</u>	<u>\$ 16,900</u>	<u>\$ 176,678</u>

DIVERSITY COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008**

	Program Services					Support Services		Total
	Education	Communication	Community Collaboration	Celebrations	Total Program Services	Membership and Development	Management and General	
Salaries and wages	\$ 76,017	\$ 7,926	\$ 24,203	\$ 4,681	112,827	\$ 19,606	\$ 12,963	\$ 145,396
Health insurance	3,629	530	592	251	5,002	861	353	6,216
Payroll taxes	6,444	692	1,994	402	9,532	1,664	1,065	12,261
SFP contributions (pension)	2,229	235	843	136	3,443	514	634	4,591
Worker's compensation insurance	624	58	128	24	834	108	92	1,034
Subcontracted services and fees	51,376	805	1,779	337	54,297	1,497	1,289	57,083
Supplies and materials	7,577	374	532	174	8,657	488	1,673	10,818
Accounting services	-	-	-	-	-	-	3,025	3,025
Board and staff development	5,015	431	17	-	5,463	506	65	6,034
Dues	240	17	423	7	687	99	306	1,092
Insurance	1,158	108	238	44	1,548	200	173	1,921
Meeting expenses	1,659	-	1,360	-	3,019	20	1,500	4,539
Travel reimbursements	713	2	317	-	1,032	110	2	1,144
Postage	631	57	126	24	838	175	92	1,105
Printing and reproduction	801	3,500	-	87	4,388	1,172	334	5,894
Rent	10,702	994	2,197	416	14,309	1,848	1,591	17,748
Repairs and maintenance	1,614	150	331	63	2,158	279	240	2,677
Internet services	561	52	115	22	750	97	83	930
Telephone	1,275	73	161	31	1,540	141	117	1,798
Bank/agency fees	-	-	-	-	-	365	10	375
Interest	100	9	21	4	134	17	15	166
Total expenses before depreciation	172,365	16,013	35,377	6,703	230,458	29,767	25,622	285,847
Depreciation expense	3,299	307	677	128	4,411	570	490	5,471
TOTAL EXPENSES	\$ 175,664	\$ 16,320	\$ 36,054	\$ 6,831	\$ 234,869	\$ 30,337	\$ 26,112	\$ 291,318

DIVERSITY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Program Services				Total Program Services	Support Services		Total
	Education	Communication	Community Collaboration	Celebrations		Membership and Development	Management and General	
Salaries and wages	\$ 62,970	\$ 14,512	\$ 17,716	\$ 5,707	\$ 100,905	\$ 16,599	\$ 16,934	\$ 134,438
Health insurance	3,326	939	466	262	4,993	887	452	6,332
Payroll taxes	5,373	1,239	1,448	477	8,537	1,399	1,389	11,325
SEP contributions (pension)	1,470	391	680	188	2,729	473	793	3,995
Worker's compensation insurance	555	114	104	31	804	101	124	1,029
Subcontracted services and fees	42,299	19	301	5	42,624	17	21	42,662
Supplies and materials	5,769	420	1,317	184	7,690	412	1,881	9,983
Accounting services	-	-	-	-	-	-	2,880	2,880
Board and staff development	1,084	1,127	181	-	2,392	1,200	1,161	4,753
Dues	158	33	630	9	830	229	259	1,318
Insurance	1,079	222	201	60	1,562	197	242	2,001
Meeting expenses	-	-	458	-	458	35	1,610	2,103
Travel reimbursements	174	97	123	-	394	-	50	444
Postage	668	121	138	33	960	189	198	1,347
Printing and reproduction	2,149	7,000	14	110	9,273	1,213	534	11,020
Rent	9,571	1,969	1,785	530	13,855	1,747	2,145	17,747
Repairs and maintenance	1,257	259	235	70	1,821	229	282	2,332
Internet services	1,087	224	203	60	1,574	198	244	2,016
Telephone	1,114	143	130	39	1,426	127	156	1,709
Bank/agency fees	-	-	-	-	-	346	10	356
Interest	166	34	31	9	240	30	37	307
Total expenses before depreciation	140,269	28,863	26,161	7,774	203,067	25,628	31,402	260,097
Depreciation expense	3,527	726	658	195	5,106	644	790	6,540
TOTAL EXPENSES	\$ 143,796	\$ 29,589	\$ 26,819	\$ 7,969	\$ 208,173	\$ 26,272	\$ 32,192	\$ 266,637

See Notes to Financial Statements

DIVERSITY COUNCIL

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in Net Assets	\$ 43,530	\$ 19,226
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,471	6,540
(Increase) Decrease In:		
Accounts and pledges receivable	9,354	(23,221)
Prepaid expenses	(923)	158
Increase (Decrease) In:		
Accounts Payable	1,677	(2,906)
Accrued payroll and payroll taxes	2,779	579
	61,888	376
Cash Flows From Investing Activities		
Purchases of equipment	(8,202)	(1,067)
Proceeds from redemption of certificates of deposit	95,000	50,665
Purchase of certificates of deposit	(75,000)	(95,000)
	11,798	(45,402)
Cash Flows From Financing Activities		
Principal reduction on capital lease	(981)	(838)
	72,705	(45,864)
Net Decrease in Cash and Cash Equivalents	72,705	(45,864)
Cash and Cash Equivalents - January 1	53,817	99,681
Cash and Cash Equivalents - December 31	\$ 126,522	\$ 53,817

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization

The mission of the Diversity Council is to create an inclusive and welcoming community through education. The goals, objectives, and programs of the Diversity Council are:

Educate the community through programs that build multi-cultural understanding, eliminate discrimination, and celebrate diversity.

Collaborate with individuals and groups in the implementation of cooperative efforts that help eliminate discrimination and promote diversity.

Communicate accurate information that challenges stereotypes and provides information about the rich diversity of human experience.

Celebrate human diversity to foster understanding, respect, and support for every member of our community.

Basis of Accounting

The accompanying financial statements of the Diversity Council have been prepared in accordance with generally accepted accounting principles. Accordingly, net assets of the organization are classified and reported as follows:

Unrestricted

All net assets not classified as temporarily or permanently restricted are classified as unrestricted, and include all board designated amounts.

Temporarily Restricted

The Organization reports contributions and contribution type grants that are restricted by the donor or grantee as an increase in temporarily restricted net assets. When the Organization has complied with the donor or grantee requirements the temporarily restricted assets are reclassified to unrestricted assets and are reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

The Organization considers all investments with a maturity of three months or less from the date of purchase as cash equivalents.

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, contribution type grants, and memberships are recognized as revenues when they are received or an unconditional pledge is made.

The Organization reports contributions and contribution type grants as unrestricted unless explicit restrictions are received from the donor.

The Organization reports contributions and contribution type grants as restricted revenue if they are received with donor stipulations or grant requirements that limit the use of the donation. When the donor or grant stipulations expire or are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities.

Equipment or materials donated to the Diversity Council are recognized in the financial statements at their fair value at the date of receipt.

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c) (3) of the Internal Revenue Code.

Equipment

Equipment purchased by the Organization with a value greater than \$250 is capitalized and carried at cost less accumulated depreciation. Depreciation of equipment is computed on a straight-line basis over the estimated useful life of the individual assets. Estimated useful lives are as follows:

	Estimated <u>Useful Lives</u>
Equipment	3-5 years

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing the organization's various program and supporting services 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 between program and supporting services benefited by the expenditure.

Directly identifiable expenses are charged to programs and supporting services. Salaries and wages are allocated based upon the estimated time spent in each program activity. Payroll related expenses, including payroll taxes and worker's compensation insurance, are allocated based upon salaries and wages. Certain expenses including insurance, interest, internet, office supplies, postage, rent, telephone, and repairs and maintenance are allocated based on the various activities using salaries and wages and direct expenses as an allocation base.

Accumulated Unpaid Vacation and Sick Time

Vacation and paid sick leave are recognized as an expense when paid and not accrued as earned. The unrecorded liability, if any, is not considered material in relation to the financial condition or operating results of the Council.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Contingencies and Concentration of Funding Sources

The Organization receives substantially all of its operating revenues from contributions and contribution type grants from governmental and other non-profit organizations. The ability of the Council to operate at its present levels is therefore directly associated with the continued funding from these governmental and non-profit sources.

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Temporarily Restricted Net Assets

The following summarizes activity of temporarily restricted net assets for the years ended December 31, 2008 and 2007:

	Balance		Donor	Balance
	12/31/2007	Revenues	Restrictions	12/31/2008
			Expired	
Town Meeting Initiative(VOICES)	\$ -	\$ 14,500	\$ 9,080	\$ 5,420
Prejudice Reduction Workshops		43,500	43,500	-
Efficacy Training Program	-	35,000	11,665	23,335
Membership Matching Funds	2,500	-	2,500	-
United Way of Olmsted County Award- July 1, 2008 through June 30, 2009	14,400		14,400	-
		28,800	14,400	14,400
	<u>\$ 16,900</u>	<u>\$ 121,800</u>	<u>\$ 95,545</u>	<u>\$ 43,155</u>

4. Capital Lease

The Diversity Council entered into a capital lease commitment on a copier document center in March of 2004. The last payment will be in April 2009 at which time they can purchase the copier for \$150. At the time of the audit the Diversity Council had decided not to purchase the copier.

5. Pension Plan

The Diversity Council has a simplified employee pension plan (SEP) covering employees who are at least 18 years of age and who have worked for the Organization for a minimum of one year. Under the plan, a quarterly contribution is made by the Diversity Council equal to five percent of the qualified employee's salary. The Diversity Council's contributions to the plan for the years ended June 30, 2008 and 2007 were \$4,591 and \$3,994, respectively.

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Donated Services and Materials

During the years ended December 31, 2008 and 2007 the Diversity Council received donated services and materials valued at 20,869 and \$17,616, respectively, and are included in the statement of activity as follows:

	<u>2008</u>	<u>2007</u>
Educational Programs:		
Subcontracted Services	\$ 4,840	\$ 1,401
Printing and Reproduction	672	1,873
Board and Staff Development	1,500	750
Meeting Expense	780	-
Repairs and Maintenance	807	900
Internet Service	491	1,087
Telephone	-	298
Communication Programs:		
Printing and Reproduction	3,500	7,000
Repairs and Maintenance	75	185
Internet Service	46	224
Community Collaboration Programs:		
Repairs and Maintenance	166	168
Internet Service	101	203
Celebrations:		
Repairs and Maintenance	31	50
Internet Service	19	60
Membership and Development:		
Printing and Reproduction	1,000	1,000
Meeting Expense	-	-
Repairs and Maintenance	139	164
Internet Service	85	198
Management and General:		
Meeting Expense	1,500	1,610
Repairs and Maintenance	120	202
Internet Service	73	243
Equipment	4,924	-
TOTAL	<u>\$ 20,869</u>	<u>\$ 17,616</u>