

**DIVERSITY COUNCIL  
ROCHESTER, MINNESOTA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2009**



**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 statement of financial position of Diversity Council as of December 31, 2009 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 as of December 31, 2008 and for the year then ended, were audited by another auditor, and whose report dated May 15, 2009, expressed an unqualified opinion on those statements.

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 Diversity Council as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Smith, Schafner and Associates, Ltd.*

Rochester, Minnesota  
June 2, 2010

**DIVERSITY COUNCIL**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2009 and 2008**

| <b>ASSETS</b>                  | <b>2009</b>       | <b>2008</b>       |
|--------------------------------|-------------------|-------------------|
| <b>Current Assets</b>          |                   |                   |
| Cash and cash equivalents      | \$ 167,497        | \$ 126,522        |
| Certificate of deposit         | 76,820            | 75,000            |
| Accounts receivable            | 9,415             | 500               |
| Interest receivable            | 21                | 544               |
| Pledges receivable             | 1,575             | 15,993            |
| Prepaid expenses               | 2,596             | 2,695             |
|                                | <hr/>             | <hr/>             |
| Total Current Assets           | 257,924           | 221,254           |
|                                | <hr/>             | <hr/>             |
| <b>Equipment, at cost</b>      |                   |                   |
| Equipment                      | 37,766            | 44,862            |
| Less: Accumulated depreciation | (26,422)          | (34,567)          |
|                                | <hr/>             | <hr/>             |
| Equipment, Net                 | 11,344            | 10,295            |
|                                | <hr/>             | <hr/>             |
| <b>TOTAL ASSETS</b>            | <b>\$ 269,268</b> | <b>\$ 231,549</b> |

**See Notes to Financial Statements**

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| <b>LIABILITIES AND NET ASSETS</b>       | <b>2009</b>       | <b>2008</b>       |
|---|-------------------|-------------------|
| <b>Current Liabilities</b>              |                   |                   |
| Accounts payable                        | \$ 1,545          | \$ 4,498          |
| Accrued payroll and payroll taxes       | 7,278             | 6,331             |
| Copier capital lease                    |                   | 512               |
|   |                   |                   |
| Total Current Liabilities               | <b>8,823</b>      | <b>11,341</b>     |
| <b>Net Assets</b>                       |                   |                   |
| Unrestricted                            | <b>192,088</b>    | 177,053           |
| Temporarily restricted (Note 3)         | <b>68,357</b>     | 43,155            |
|   |                   |                   |
| Total Net Assets                        | <b>260,445</b>    | <b>220,208</b>    |
|   |                   |                   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 269,268</b> | <b>\$ 231,549</b> |
|   |                   |                   |

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**DIVERSITY COUNCIL**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2009**  
**(With Comparative Totals for the Year Ended December 31, 2008)**

|  | 2009         |                           |            | 2008<br>Totals |
|--|--------------|---------------------------|------------|----------------|
|  | Unrestricted | Temporarily<br>Restricted | Totals     |                |
| <b>Public Support</b>                        |              |                           |            |                |
| Contributions and grants                     | \$ 107,603   | \$ 193,500                | \$ 301,103 | \$ 218,467     |
| Memberships                                  | 45,528       | 2,500                     | 48,028     | 46,939         |
| Total Public Support                         | 153,131      | 196,000                   | 349,131    | 265,406        |
| <b>Revenues</b>                              |              |                           |            |                |
| Program fees                                 | 73,267       |                           | 73,267     | 66,793         |
| Interest income                              | 1,635        |                           | 1,635      | 2,649          |
| Total Revenues                               | 74,902       |                           | 74,902     | 69,442         |
| <b>Net Assets Released From Restrictions</b> |              |                           |            |                |
|  | 170,798      | (170,798)                 |            |                |
| Total Public Support and Revenues            | 398,831      | 25,202                    | 424,033    | 334,848        |
| <b>Expenses</b>                              |              |                           |            |                |
| Program services                             |              |                           |            |                |
| Education                                    | 259,520      |                           | 259,520    | 175,664        |
| Communication                                | 14,681       |                           | 14,681     | 16,320         |
| Community Collaboration                      | 38,581       |                           | 38,581     | 36,054         |
| Celebrations                                 | 9,020        |                           | 9,020      | 6,831          |
| Total Program Services                       | 321,802      |                           | 321,802    | 234,869        |
| Support services                             |              |                           |            |                |
| Membership and development                   | 33,716       |                           | 33,716     | 30,337         |
| Management and general                       | 28,278       |                           | 28,278     | 26,112         |
| Total Support Services                       | 61,994       |                           | 61,994     | 56,449         |
| Total Expenses                               | 383,796      |                           | 383,796    | 291,318        |
| Change in Net Assets                         | 15,035       | 25,202                    | 40,237     | 43,530         |
| <b>Net Assets - Beginning of Year</b>        | 177,053      | 43,155                    | 220,208    | 176,678        |
| <b>Net Assets - End of Year</b>              | \$ 192,088   | \$ 68,357                 | \$ 260,445 | \$ 220,208     |

**See Notes to Financial Statements**

**DIVERSITY COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2009**

**(With Comparative Totals for the Year Ended December 31, 2008)**

|                                    | Program Services  |                  |                            |                 |
|------------------------------------|-------------------|------------------|----------------------------|-----------------|
|                                    | Education         | Communication    | Community<br>Collaboration | Celebrations    |
| Salaries and wages                 | \$ 95,697         | \$ 10,714        | \$ 27,117                  | \$ 6,689        |
| Health insurance                   | 3,985             | 771              | 763                        | 323             |
| Payroll taxes                      | 7,996             | 927              | 2,222                      | 562             |
| SEP contributions (pension)        | 4,241             | 385              | 1,094                      | 244             |
| Worker's compensation insurance    | 772               | 44               | 115                        | 27              |
| Subcontracted services and fees    | 52,466            |                  | 1,077                      |                 |
| Supplies and materials             | 10,926            | 193              | 1,634                      | 208             |
| Accounting services                |                   |                  |                            |                 |
| Board and staff development        | 7,839             | 84               |                            |                 |
| Efficacy trainer development       | 49,908            |                  |                            |                 |
| Dues                               | 208               | 12               | 421                        | 7               |
| Insurance                          | 1,843             | 104              | 274                        | 64              |
| Meeting expenses                   | 1,892             |                  | 754                        |                 |
| Travel reimbursements              | 241               | 2                | 90                         | 1               |
| Postage                            | 703               | 38               | 101                        | 24              |
| Printing and reproduction          | 1,224             |                  | 42                         | 198             |
| Rent                               | 12,001            | 679              | 1,784                      | 417             |
| Repairs and maintenance            | 2,001             | 113              | 297                        | 70              |
| Internet services                  | 636               | 348              | 95                         | 22              |
| Telephone                          | 990               | 43               | 114                        | 27              |
| Bank/agency fees                   |                   |                  |                            |                 |
| Interest                           | 14                | 1                | 2                          |                 |
| Total expenses before depreciation | 255,583           | 14,458           | 37,996                     | 8,883           |
| Depreciation expense               | 3,937             | 223              | 585                        | 137             |
| <b>TOTAL EXPENSES</b>              | <b>\$ 259,520</b> | <b>\$ 14,681</b> | <b>\$ 38,581</b>           | <b>\$ 9,020</b> |

**See Notes to Financial Statements**

| Total<br>Program<br>Services | Support Services                 |                              | Totals     |            |
|------------------------------|----------------------------------|------------------------------|------------|------------|
|                              | Membership<br>and<br>Development | Management<br>and<br>General | 2009       | 2008       |
|                              |                                  |                              |            |            |
| \$ 140,217                   | \$ 23,393                        | \$ 16,529                    | \$ 180,139 | \$ 145,396 |
| 5,842                        | 1,197                            | 349                          | 7,388      | 6,216      |
| 11,707                       | 1,969                            | 1,349                        | 15,025     | 12,261     |
| 5,964                        | 819                              | 818                          | 7,601      | 4,591      |
| 958                          | 100                              | 84                           | 1,142      | 1,034      |
| 53,543                       |                                  |                              | 53,543     | 57,083     |
| 12,961                       | 1,921                            | 966                          | 15,848     | 10,818     |
|                              |                                  | 3,500                        | 3,500      | 3,025      |
| 7,923                        | 198                              |                              | 8,121      | 6,034      |
| 49,908                       |                                  |                              | 49,908     |            |
| 648                          | 227                              | 397                          | 1,272      | 1,092      |
| 2,285                        | 239                              | 201                          | 2,725      | 1,921      |
| 2,646                        |                                  | 1,498                        | 4,144      | 4,539      |
| 334                          | 307                              | 7                            | 648        | 1,144      |
| 866                          | 233                              | 160                          | 1,259      | 1,105      |
| 1,464                        | 385                              | 298                          | 2,147      | 5,894      |
| 14,881                       | 1,559                            | 1,308                        | 17,748     | 17,748     |
| 2,481                        | 260                              | 218                          | 2,959      | 2,677      |
| 1,101                        | 83                               | 69                           | 1,253      | 930        |
| 1,174                        | 100                              | 84                           | 1,358      | 1,798      |
|                              | 212                              | 13                           | 225        | 375        |
| 17                           | 2                                | 1                            | 20         | 166        |
| 316,920                      | 33,204                           | 27,849                       | 377,973    | 285,847    |
| 4,882                        | 512                              | 429                          | 5,823      | 5,471      |
| \$ 321,802                   | \$ 33,716                        | \$ 28,278                    | \$ 383,796 | \$ 291,318 |

**DIVERSITY COUNCIL**

**STATEMENT OF CASH FLOWS**

**For the Years Ended December 31, 2009 and 2008**

|  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                   |                   |
| Change in Net Assets   | \$ 40,237         | \$ 43,530         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                   |                   |
| Depreciation   | 5,823             | 5,471             |
| Donated assets   | (2,138)           |                   |
| (Increase) decrease In:  |                   |                   |
| Accounts and pledges receivable  | 6,026             | 9,354             |
| Prepaid expenses   | 99                | (923)             |
| Increase (decrease) In:  |                   |                   |
| Accounts payable   | (2,953)           | 1,677             |
| Accrued payroll and payroll taxes  | 947               | 2,779             |
|  | <u>48,041</u>     | <u>61,888</u>     |
| Net Cash Provided By Operating Activities  |                   |                   |
| <b>Cash Flows From Investing Activities</b>  |                   |                   |
| Purchase of equipment  | (4,734)           | (8,202)           |
| Proceeds from redemption of certificate of deposit   | 75,000            | 95,000            |
| Purchase of certificate of deposit   | (76,820)          | (75,000)          |
|  | <u>(6,554)</u>    | <u>11,798</u>     |
| Net Cash Provided By (Used In) Investing Activities  |                   |                   |
| <b>Cash Flows From Financing Activities</b>  |                   |                   |
| Principal reduction on capital lease   | (512)             | (981)             |
|  | <u>40,975</u>     | <u>72,705</u>     |
| Net Increase in Cash and Cash Equivalents  |                   |                   |
| Cash and Cash Equivalents - January 1  | 126,522           | 53,817            |
| Cash and Cash Equivalents - December 31  | <u>\$ 167,497</u> | <u>\$ 126,522</u> |

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## DIVERSITY COUNCIL

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Organization and Summary of Significant Accounting Policies

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##### 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 restrictions.

## DIVERSITY COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### 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.

##### 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 contributions 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 asset 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.

The Organization adopted the new accounting for uncertainty in income taxes guidance on January 1, 2009. The adoption of that guidance resulted in no impact to the Organization's financial statements.

The Organization's federal information returns for 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

**DIVERSITY COUNCIL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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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.

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:

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

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, parking, 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## DIVERSITY COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### 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.

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#### 2. Contingencies and Concentration of Funding Sources

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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.

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#### 3. Temporarily Restricted Net Assets

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The following summarizes activity of temporarily restricted net assets for the years ended December 31, 2009 and 2008:

|  | Balance<br>12/31/08 | Revenues          | Donor<br>Restrictions<br>Expired | Balance<br>12/31/09 |
|--|---------------------|-------------------|----------------------------------|---------------------|
| Town Meeting Initiative (VOICES)   | \$ 5,420            | \$ 16,000         | \$ 21,420                        | \$                  |
| Efficacy Training Program  | 23,335              | 110,000           | 86,821                           | <b>46,514</b>       |
| Anti-Bias Workshops (Spark!)   |                     | 67,500            | 45,657                           | <b>21,843</b>       |
| Membership Matching Funds  |                     | 2,500             | 2,500                            |                     |
| United Way of Olmsted County Award-<br>January 1, 2009 through June 30, 2009 | 14,400              |                   | 14,400                           |                     |
|  | <b>\$ 43,155</b>    | <b>\$ 196,000</b> | <b>\$ 170,798</b>                | <b>\$ 68,357</b>    |

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**DIVERSITY COUNCIL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Copier Lease**

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The Diversity Council entered into an operating lease commitment on a copier in July of 2009 with a term of 60 months and monthly payments of \$158. Total rental expense was \$790 for the year ended December 31, 2009.

Future lease payments under the lease agreement are as follows:

| <u>Year</u> |           |              |
|-------------|-----------|--------------|
| 2010        | \$        | 1,896        |
| 2011        |           | 1,896        |
| 2012        |           | 1,896        |
| 2013        |           | 1,896        |
| 2014        |           | <u>1,106</u> |
| Total       | <u>\$</u> | <u>8,690</u> |

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**5. Pension Plan**

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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 December 31, 2009 and 2008 were \$7,601 and \$4,591, respectively.

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**6. Subsequent Events**

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In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 2, 2010, the date the financial statements were available to be issued.

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