

**DIVERSITY COUNCIL
ROCHESTER, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**DIVERSITY COUNCIL
ROCHESTER, MINNESOTA
TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2-3
Statements of Activities and Changes in Net Assets	4
Statement Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

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, 2010 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 prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated June 2, 2010, we expressed an unqualified opinion on those financial 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, 2010, 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 15, 2011

DIVERSITY COUNCIL

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 161,557	\$ 167,497
Certificate of deposit	77,848	76,820
Accounts receivable	692	9,415
Interest receivable		21
Pledges receivable	895	1,575
Prepaid expenses	3,804	2,596
	<hr/>	<hr/>
Total Current Assets	244,796	257,924
	<hr/>	<hr/>
Equipment, at cost		
Equipment	33,595	37,766
Less: Accumulated depreciation	(26,558)	(26,422)
	<hr/>	<hr/>
Equipment, Net	7,037	11,344
	<hr/>	<hr/>
TOTAL ASSETS	\$ 251,833	\$ 269,268

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2010	2009
Current Liabilities		
Accounts payable	\$ 1,792	\$ 1,545
Accrued payroll and payroll taxes	9,552	7,278
	<hr/>	<hr/>
Total Current Liabilities	11,344	8,823
	<hr/>	<hr/>
Net Assets		
Unrestricted	208,368	192,088
Temporarily restricted (Note 3)	32,121	68,357
	<hr/>	<hr/>
Total Net Assets	240,489	260,445
	<hr/>	<hr/>
 TOTAL LIABILITIES AND NET ASSETS	 \$ 251,833	 \$ 269,268
	<hr/> <hr/>	<hr/> <hr/>

DIVERSITY COUNCIL

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	2010		Totals	2009 Totals
	Unrestricted	Temporarily Restricted		
Public Support				
Contributions and grants	\$ 94,065	\$ 80,500	\$ 174,565	\$ 301,103
Memberships	41,985		41,985	48,028
Total Public Support	136,050	80,500	216,550	349,131
Revenues				
Program fees	66,777		66,777	73,267
Interest income	1,286		1,286	1,635
Total Revenues	68,063		68,063	74,902
Net Assets Released From Restrictions				
	116,736	(116,736)		
Total Public Support and Revenues	320,849	(36,236)	284,613	424,033
Expenses				
Program services				
Education	151,938		151,938	259,520
Communication	20,320		20,320	14,681
Community Collaboration	53,740		53,740	38,581
Celebrations	11,838		11,838	9,020
Total Program Services	237,836		237,836	321,802
Support services				
Membership and development	25,576		25,576	33,716
Management and general	41,157		41,157	28,278
Total Support Services	66,733		66,733	61,994
Total Expenses	304,569		304,569	383,796
Change in Net Assets	16,280	(36,236)	(19,956)	40,237
Net Assets - Beginning of Year	192,088	68,357	260,445	220,208
Net Assets - End of Year	\$ 208,368	\$ 32,121	\$ 240,489	\$ 260,445

See Notes to Financial Statements

DIVERSITY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Program Services			
	Education	Communication	Community Collaboration	Celebrations
Salaries and wages	\$ 83,553	\$ 14,148	\$ 31,400	\$ 8,583
Health insurance	3,564	1,091	1,012	352
Payroll taxes	7,086	1,242	2,613	723
SEP contributions (pension)	4,233	706	1,573	429
Worker's compensation insurance	635	85	225	49
Subcontracted services and fees	25,253		6,829	
Supplies and materials	8,119	287	2,489	289
Accounting services				
Board and staff development	1,420	196		
Efficacy trainer development				
Dues	158	21	446	12
Insurance	1,344	180	475	105
Meeting expenses			403	
Travel reimbursements	33	4	454	
Postage	761	60	343	35
Printing and reproduction	1,273		348	130
Rent	8,854	1,184	3,131	690
Repairs and maintenance	1,436	192	508	112
Internet services	469	423	166	37
Telephone	566	76	200	44
Bank/agency fees				
Interest				
Total expenses before depreciation	148,757	19,895	52,615	11,590
Depreciation expense	3,181	425	1,125	248
TOTAL EXPENSES	\$ 151,938	\$ 20,320	\$ 53,740	\$ 11,838

See Notes to Financial Statements

Total Program Services	Support Services		Totals	
	Membership and Development	Management and General	2010	2009
\$ 137,684	\$ 16,342	\$ 20,856	\$ 174,882	\$ 180,139
6,019	939	525	7,483	7,388
11,664	1,402	1,730	14,796	15,025
6,941	816	1,040	8,797	7,601
994	107	172	1,273	1,142
32,082			32,082	53,543
11,184	1,103	2,064	14,351	15,848
		7,650	7,650	3,500
1,616	947	109	2,672	8,121
				49,908
637	296	292	1,225	1,272
2,104	226	364	2,694	2,725
403		1,955	2,358	4,144
491		7	498	648
1,199	270	169	1,638	1,259
1,751	445	285	2,481	2,147
13,859	1,491	2,398	17,748	17,748
2,248	241	389	2,878	2,959
1,095	79	127	1,301	1,253
886	96	153	1,135	1,358
	241	10	251	225
				20
232,857	25,041	40,295	298,193	377,973
4,979	535	862	6,376	5,823
\$ 237,836	\$ 25,576	\$ 41,157	\$ 304,569	\$ 383,796

DIVERSITY COUNCIL

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Change in Net Assets	\$ (19,956)	\$ 40,237
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	6,376	5,823
Donated assets		(2,138)
(Increase) decrease In:		
Accounts and pledges receivable	9,424	6,026
Prepaid expenses	(1,208)	99
Increase (decrease) In:		
Accounts payable	247	(2,953)
Accrued payroll and payroll taxes	2,274	947
	(2,843)	48,041
Cash Flows From Investing Activities		
Purchase of equipment	(2,069)	(4,734)
Proceeds from redemption of certificate of deposit	76,820	75,000
Purchase of certificate of deposit	(77,848)	(76,820)
	(3,097)	(6,554)
Cash Flows From Financing Activities		
Principal reduction on capital lease		(512)
		(512)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,940)	40,975
Cash and Cash Equivalents - January 1	167,497	126,522
Cash and Cash Equivalents - December 31	\$ 161,557	\$ 167,497

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization

The mission of the Diversity Council is to educate people to embrace diversity as a foundation for building a healthy, inclusive and prosperous community. 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.

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)

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 Useful Lives</u>
Equipment	3-5 years

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.

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.

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, 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.

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's federal information returns are subject to examination by the IRS, generally for three years after they were filed.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

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)

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

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.

3. Temporarily Restricted Net Assets

The following summarizes activity of temporarily restricted net assets for the years ended December 31, 2010 and 2009:

	Balance 12/31/09	Revenues	Donor Restrictions Expired	Balance 12/31/10
Efficacy Training Program	\$ 46,514	\$ 53,000	\$ 67,883	\$ 31,631
Anti-Bias Workshops (Spark!)	21,843	27,500	48,853	490
	<u>\$ 68,357</u>	<u>\$ 80,500</u>	<u>\$ 116,736</u>	<u>\$ 32,121</u>

DIVERSITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Commitments

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 \$1,896 and \$790 for the years ended December 31, 2010 and 2009.

Future lease payments under the lease agreement are as follows:

Year		
2011	\$	1,896
2012		1,896
2013		1,896
2014		1,106
Total	\$	<u>6,794</u>

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 December 31, 2010 and 2009 were \$8,797 and \$7,601, respectively.

6. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 15, 2011, the date the financial statements were available to be issued.
