

**GREATER MINNEAPOLIS
COUNCIL OF CHURCHES**
(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2010 with
comparative totals for 2009

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

1000 Campbell Mithun Tower
222 South Ninth Street
Minneapolis, Minnesota 55402
612-339-7811 ph
612-339-9845 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Minneapolis Council of Churches
Minneapolis, Minnesota

We have audited the statement of financial position of the Greater Minneapolis Council of Churches as of December 31, 2010, and related statements of activities and changes in net assets, 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 prior-year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated March 22, 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. 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 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 the Greater Minneapolis Council of Churches as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
March 25, 2011

GREATER MINNEAPOLIS COUNCIL OF CHURCHES
STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,042,293	\$ 1,290,300
Grants and other receivables	150,640	164,118
Pledges receivable - current	1,915,236	2,583,645
Prepaid expenses	<u>33,181</u>	<u>45,964</u>
TOTAL CURRENT ASSETS	<u>3,141,350</u>	<u>4,084,027</u>
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION	<u>246,343</u>	<u>661,760</u>
PROPERTY AND EQUIPMENT		
Property and equipment	8,916,676	8,670,508
Less accumulated depreciation	<u>(2,760,245)</u>	<u>(2,535,099)</u>
NET PROPERTY AND EQUIPMENT	<u>6,156,431</u>	<u>6,135,409</u>
OTHER ASSETS		
Investments - Other	<u>522,039</u>	<u>510,107</u>
TOTAL ASSETS	<u>\$ 10,066,163</u>	<u>\$ 11,391,303</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 106,471	\$ 175,868
Accrued liabilities	144,416	143,246
Grants payable		214,870
Deferred revenue	<u>18,250</u>	<u>21,554</u>
TOTAL CURRENT LIABILITIES	<u>269,137</u>	<u>555,538</u>
LONG TERM LIABILITIES		
Long-term debt	<u>318,372</u>	<u>318,372</u>
TOTAL LIABILITIES	<u>587,509</u>	<u>873,910</u>
<u>NET ASSETS</u>		
UNRESTRICTED NET ASSETS		
Board designated net assets	1,245,130	1,627,766
Undesignated net assets	200,004	200,000
Property and equipment	<u>6,156,431</u>	<u>6,135,409</u>
TOTAL UNRESTRICTED NET ASSETS	7,601,565	7,963,175
TEMPORARILY RESTRICTED NET ASSETS	<u>1,877,089</u>	<u>2,554,218</u>
TOTAL NET ASSETS	<u>9,478,654</u>	<u>10,517,393</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,066,163</u>	<u>\$ 11,391,303</u>

The accompanying notes are an integral
part of these financial statements

GREATER MINNEAPOLIS COUNCIL OF CHURCHES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2010 with comparative totals for 2009

	Unrestricted	Temporarily restricted	Totals	
			2010	2009
<u>SUPPORT AND REVENUE</u>				
SUPPORT				
Direct federal grants	\$ 369,612	\$ 242,328	\$ 611,940	\$ 1,100,990
Hennepin and Ramsey County	649,886		649,886	871,150
State of Minnesota	472,891	574,249	1,047,140	1,043,966
City of Minneapolis	132,419		132,419	123,774
United Way	480,732		480,732	460,325
Religious organizations	94,065	12,000	106,065	139,927
Corporate and foundation contributions	1,444,538	205,000	1,649,538	1,962,667
Individual contributions	588,667	104,740	693,407	1,067,510
Indian tribal contributions	145,700		145,700	145,100
In-kind contributions	154,894		154,894	139,018
TOTAL SUPPORT	4,533,404	1,138,317	5,671,721	7,054,427
REVENUE				
Fees and sales	420,796		420,796	324,489
Affiliated organizations	219,483		219,483	140,586
Investment income	13,969		13,969	15,418
Rental income	87,846		87,846	68,684
TOTAL REVENUE	742,094		742,094	549,177
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time and purpose restriction	1,815,446	(1,815,446)		
TOTAL SUPPORT AND REVENUE	7,090,944	(677,129)	6,413,815	7,603,604
<u>EXPENSES</u>				
PROGRAM SERVICES				
Helping Seniors Live Independently (HandyWorks, Metro Paint-A-Thon)	317,761		317,761	314,490
Nurturing Healthy Families (Center for Families, Discover Parenting, Project Persevere, Families Forward)	444,247		444,247	592,327
Empowering Urban American Indians (Division of Indian Work)	3,256,395		3,256,395	2,768,106
Reducing Crime (Community Justice Project)	153,946		153,946	164,490
Fighting Hunger (Minnesota FoodShare)	1,379,016		1,379,016	1,406,314
Building a Caring Community (Discover Learning Centers, Urban Immersion Service Retreats, Compassion Capital Fund/Church and Community Initiatives)	656,122		656,122	1,142,203
Collaborative Programs and Initiatives (Friendship Village of Minnesota, Clinical Pastoral Education, Special Projects)	322,310		322,310	305,167
TOTAL PROGRAM SERVICES	6,529,797		6,529,797	6,693,097
SUPPORTING SERVICES				
General administration	794,786		794,786	793,938
Fund raising	127,971		127,971	204,419
TOTAL SUPPORTING SERVICES	922,757		922,757	998,357
TOTAL EXPENSES	7,452,554		7,452,554	7,691,454
DECREASE IN NET ASSETS	(361,610)	(677,129)	(1,038,739)	(87,850)
NET ASSETS, BEGINNING OF YEAR	7,963,175	2,554,218	10,517,393	10,605,243
NET ASSETS, END OF YEAR	\$ 7,601,565	\$ 1,877,089	\$ 9,478,654	\$ 10,517,393

The accompanying notes are an integral
part of these financial statements

GREATER MINNEAPOLIS COUNCIL OF CHURCHES
STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2010 with comparative totals for 2009

	Helping Seniors Live Independently	Nurturing Healthy Families	Empowering Urban American Indians	Reducing Crime	Fighting Hunger	Building a Caring Community	Collaborative Programs and Initiatives	Total Program Services
Personnel Operating Programming Occupancy Contract grants	\$ 203,291 1,945 91,763 12,662 8,100	\$ 261,010 1,880 33,351 56,736	\$ 2,059,473 21,881 911,045 101,674 70,861	\$ 125,351 1,135 17,153 10,307	\$ 404,007 6,491 105,392 22,203 840,923	\$ 323,090 2,967 138,958 44,275 99,303	\$ 229,552 959 51,351 20,467 19,981	\$ 3,605,774 37,258 1,349,013 268,324 1,039,168
Total expenses before depreciation	317,761	352,977	3,164,934	153,946	1,379,016	608,593	322,310	6,299,537
Depreciation		91,270	91,461			47,529		230,260
Total expenses	\$ 317,761	\$ 444,247	\$ 3,256,395	\$ 153,946	\$ 1,379,016	\$ 656,122	\$ 322,310	\$ 6,529,797

The accompanying notes are an integral part of these financial statements

**GREATER MINNEAPOLIS COUNCIL OF CHURCHES
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

For the year ended December 31, 2010 with comparative totals for 2009

	General Administration	Fund Raising	Total Supporting Services	Total 2010	Total 2009
Personnel	\$ 603,009	\$ 94,065	\$ 697,074	\$ 4,302,848	\$ 4,146,426
Operating	6,792	828	7,620	44,878	51,587
Programming	141,987	27,025	169,012	1,518,025	1,445,376
Occupancy	31,330	6,053	37,383	305,707	338,883
Contract grants	<u>600</u>	<u> </u>	<u>600</u>	<u>1,039,768</u>	<u>1,471,328</u>
Total expenses before depreciation	783,718	127,971	911,689	7,211,226	7,453,600
Depreciation	<u>11,068</u>	<u> </u>	<u>11,068</u>	<u>241,328</u>	<u>237,854</u>
Total expenses	<u>\$ 794,786</u>	<u>\$ 127,971</u>	<u>\$ 922,757</u>	<u>\$ 7,452,554</u>	<u>\$ 7,691,454</u>

The accompanying notes are an integral
part of these financial statements

GREATER MINNEAPOLIS COUNCIL OF CHURCHES
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (1,038,739)	\$ (87,850)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	241,328	237,854
Amortization of discount on unconditional pledges receivable	(32,943)	(31,625)
Reinvested investment interest	(11,932)	(10,107)
Decrease in pledges receivable	982,139	247,365
Increase (decrease) in grants payable	(214,870)	26,163
Increase (decrease) in deferred revenue	(3,304)	12,094
Net changes in other receivables and payables	<u>(41,966)</u>	<u>39,132</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(120,287)</u>	<u>433,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment - other		(500,000)
Purchase of property and equipment	<u>(262,350)</u>	<u>(48,014)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(262,350)</u>	<u>(548,014)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt		318,372
Collection of contributions restricted for property purchases	<u>134,630</u>	<u> </u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>134,630</u>	<u>318,372</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(248,007)	203,384
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,290,300</u>	<u>1,086,916</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,042,293</u>	<u>\$ 1,290,300</u>

The accompanying notes are an integral
part of these financial statements

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies

The Organization

The Greater Minneapolis Council of Churches (the Organization) is a Minnesota nonprofit corporation organized to unite people of faith to serve people in need.

Description of programs

The programs through which the Organization provides its services are as follows:

Helping Seniors Live Independently

HandyWorks - Matches low-income seniors in south, southeast, and northeast Minneapolis with volunteers and others who can help with household chores, yard work and gardening.

Metro Paint-A-Thon - Organizes thousands of volunteers to paint the homes of low-income seniors and people with disabilities in the seven-county metropolitan area.

Empowering Urban American Indians (Division of Indian Work)

Through four programming areas, the Division of Indian Work prides itself on giving special attention to the cultural needs of American Indians.

Strengthening Family Circles - Provides classes, counseling, community outreach and additional support in parenting, affordable housing, sexual exploitation, domestic violence and spiritual practices.

Youth Leadership Development Program - Encourages well-rounded success by providing youth with a wide variety of learning opportunities, including Native language and cultural enrichment, after-school tutoring, homework help, college prep mentoring as well as recreational, environmental and artistic activities.

Healing Spirit - Provides education and assistance to youth in the long-term foster care system and those transitioning to independent living. Also serves those needing help maintaining sobriety.

Health Services - Operates a food shelf, counsels pregnant women on infant mortality, teaches about traditional Native uses of tobacco and smoking prevention as well as heart attack prevention and other health issues important to American Indians.

Fighting Hunger

Minnesota FoodShare - Recruits thousands of people for the March Campaign, the largest funds and food drive for local food shelves in the state. Also raises awareness about hunger issues, good nutrition and access to government food programs.

Reducing Crime

Community Justice Project - Partners with Minneapolis Police Department to ensure that ex-offenders get the support they need to lead productive lives in the community. More than 130 mentors offer guidance in social service and government programs, job training and interviews, budgeting and housing issues.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Nurturing Healthy Families

Center for Families - Provides a home for a variety of family-oriented groups, especially those serving the growing number of immigrants from West African countries. Services include job training and employment assistance, health screenings and referrals, mental health services, preschool programming and help with locating affordable housing.

Project Persevere - Partners with Hennepin County to reconnect “hard to reach” clients cut off from monthly public assistance with their job counselors and educates the clients on job training, education and child care services available.

Parent Support and Early Childhood Initiatives - Parents meet weekly to learn positive child discipline techniques, set job and home-life goals and support each other as they work towards these goals. The program also partners with churches to increase the rates of early childhood screening in Minneapolis.

Building a Caring Community

Urban Immersion Service Retreats – Combines an overview of poverty and its causes with hands-on help for those in need. Participants volunteer at food shelves, homeless shelters, affordable housing projects and doing chores for seniors.

Discover Learning Centers - Provides tutoring assistance through local congregations and civic groups to students not meeting school achievement standards.

Church and Community Initiatives - Provides technical assistance, training and support with volunteer recruitment, accounting, grant writing/fund raising and risk management.

Collaborative Programs and Initiatives

Friendship Village of Minnesota – Provides chaplaincy and spiritual counseling to those living in large residential and assisted-living homes.

Clinical Pastoral Education - Trains pastors and faith leaders to provide spiritual care for men, women and children in community settings.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Income tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprivate foundation within the meaning of Section 509(a) of the Code, because it is an organization described in Sections 509(a)(1) and 170(b)(1)(A)(i), and contributions to the Organization qualify as a charitable tax deduction for the contributor.

On January 1, 2009, the Organization adopted new accounting guidance on accounting for uncertainty in income taxes. The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.
- Temporarily restricted with respect to time or purpose - Resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time. 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.
- Permanently restricted - Resources subject to a donor-imposed restriction that they be maintained permanently. At this time, the Organization has no such permanently restricted net assets.

Revenues

The Organization presents its financial statements using Financial Accounting Standards Board (FASB) ASC 958 (SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Fees and sales revenue is recognized as revenue when the services have been provided.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Grants from governmental agencies

Governmental grant funds reimbursed on a unit of service basis are considered a fee for service and are recorded when reimbursements are requested. All other governmental grant funds are considered temporarily restricted grants and are recorded as contributions when notification is received.

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

Cash and cash equivalents

The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Promises to give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Promises to give receivable in more than one year are discounted at rates ranging from 3.20% to 4.18%.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. No allowance for doubtful accounts on pledges and other receivables has been provided for at December 31, 2010 and 2009, since management of the Organization expects all receivables to be collected.

Property, equipment and depreciation

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the assets are placed in service.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES
NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Property, equipment and depreciation (continued)

The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year, and a cost in excess of \$1,000. Property and equipment are stated at cost or fair market value at date of acquisition. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in revenue for the period. Maintenance and repairs are expensed in the current period. Improvements and replacements are capitalized. The Organization provides for depreciation of buildings and improvements over the following estimated useful lives using the straight-line method of depreciation.

Buildings	30-39 Years
Improvements	20-30 Years
Land improvements	39 Years
Furnishings and equipment	3-20 Years

For the years ended December 31, 2010 and 2009, depreciation expense was \$241,328 and \$237,854, respectively.

Investments - other

Certificates of deposit held for investment are reported in Investments - other. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed at December 31, 2010 and 2009.

Donated materials and services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization relies upon the significant contributions of volunteer time in providing services to fulfill the Organization's mission. The Organization estimates that annually 25,000 volunteers provide 325,000 hours of service. The work of volunteers and staff combined are estimated to impact 358,000 individuals.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs are allocated between programs and supporting services.

Advertising

The Organization expenses advertising costs as incurred. The amount charged to operations was \$21,900 and \$21,694 for the years ended December 31, 2010 and 2009, respectively.

Effect of economic conditions on contributions

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's board of directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Summarized information

The financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. 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.

Subsequent events

Subsequent events have been evaluated through March 25, 2011 which is the date the financial statements were available to be issued.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

2. Pledges receivable

Pledges are receivable in the following periods:

	2010	2009
<u>Receivable in:</u>		
One year or less	\$ 1,915,236	\$ 2,718,005
One to five years	267,000	581,000
	2,182,236	3,299,005
Allowance for doubtful pledges	0	0
Discount to present value	(20,657)	(53,600)
Total promises to give receivable	\$ 2,161,579	\$ 3,245,405

Pledges receivable in one year or less at December 31, 2010 and 2009 include \$0 and \$134,360, respectively, restricted for the purpose of purchasing property and is reported as part of long-term pledges receivable.

3. Property and equipment

A summary of property and equipment as of December 31, 2010 and 2009 is as follows:

	2010	2009
Land	\$ 460,330	\$ 410,493
Buildings	7,630,304	7,423,195
Land improvements	419,368	419,368
Furnishings and equipment	406,674	417,452
Total	8,916,676	8,670,508
Less accumulated depreciation	(2,760,245)	(2,535,099)
Net property and equipment	\$ 6,156,431	\$ 6,135,409

4. Line of credit

The Organization has a line of credit with Franklin Bank. The terms of the agreement allow the Organization to borrow up to \$1,500,000. Monthly payments of interest only are required, calculated at the prime rate, with principal due on June 11, 2011. The line of credit is secured by all business assets of the Organization and is subject to certain financial covenants. There was no outstanding balance on the line of credit at December 31, 2010 and 2009.

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

5. Long-term debt

The Organization has a mortgage payable with the Minnesota Housing Finance Agency. The outstanding balance at December 31, 2010 and 2009 of \$318,372 is non-amortizing and noninterest bearing, with a maturity date of December 1, 2039, unless specified events occur. The mortgage agreement requires that loan proceeds be utilized to purchase property to be used for certain purposes through the maturity date. The mortgage agreement and all requirements regarding the property's use will expire if the Organization pays all outstanding principal before December 1, 2024. The mortgage is secured by real estate of the Organization.

6. Net assets released from donor restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows:

	2010	2009
<u>Purpose restrictions met</u>		
Temporarily Restricted Program Funds	\$ 1,745,165	\$ 1,660,831
Paint-A-Thon Reserves	40,000	41,660
Powderhorn Empty Bowls	19,753	
American Indian Graduation	6,984	3,750
African Food Distribution	3,544	790
Strengthening Family Circles Reserve		2,303
Division of Indian Work Reserve		753
Bless Bible Studies		164
Bridge Builders 4 Life		8
	\$ 1,815,446	\$ 1,710,259

7. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Temporarily Restricted Program Funds	\$ 1,381,833	\$ 2,003,701
Minnesota FoodShare Reserves	432,182	427,903
Paint-A-Thon Reserves	30,000	70,000
Strengthening Family Circles Reserve	15,039	15,039
American Indian Graduation	11,152	9,861
Division of Indian Work Reserve	4,314	4,314
African Food Distribution	2,258	3,544
Afrifest Foundation	208	
Halfway House for African Immigrants	103	103
Powderhorn Empty Bowls		19,753
	\$ 1,877,089	\$ 2,554,218

GREATER MINNEAPOLIS COUNCIL OF CHURCHES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

8. Board designated net assets

Included in unrestricted net assets are amounts designated by the board for the following purposes:

	<u>2010</u>	<u>2009</u>
Second Century of Service	\$ 392,926	\$ 260,389
Operating Fund Reserve	188,305	186,442
Property Maintenance Replacement	131,296	154,557
Empowering the Journey	114,580	139,579
Program Reserve Fund	114,018	472,456
Mary Ellen Dumas Fund	88,891	215,941
Center for Families Building Reserve	75,000	75,000
Computer Replacement Fund	58,414	60,902
Russ Ewald Building Reserve	50,000	50,000
Healing Spirit and Anpa Waste Building Reserve	<u>31,700</u>	<u>12,500</u>
	<u>\$ 1,245,130</u>	<u>\$ 1,627,766</u>

9. In-kind contributions

The Organization received in-kind contributions for the years ended December 31, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Horizons Unlimited Foodshelf	\$ 39,453	\$ 49,900
Paint-A-Thon materials and supplies	39,102	41,895
Consulting services	37,500	37,500
Educational materials and supplies	<u>38,839</u>	<u>9,723</u>
	<u>\$ 154,894</u>	<u>\$ 139,018</u>

Each year the Organization benefits from substantial in-kind contributions of services that are not recorded on the financial statements because they do not meet the criteria for recognition.

10. Employee benefit plan

The Organization has a pension plan for eligible employees with six or more months of service, who were hired prior to January 1, 2005. The plan is a tax sheltered 403(b) plan; contributions are allocated to an individual account for each participant and benefits are immediately vested. Employee contributions are allowed up to the limits of the law, but are not required. Pension expense for the years ended December 31, 2010 and 2009 is \$155,912 and \$163,028, respectively.

The Organization also has a pension plan for eligible employees who were hired on January 1, 2005 or after. The employer will contribute 5% to an employer-sponsored 403(b) plan. The employer will also match up to an additional 1% for each subsequent year of employment (to a maximum of 4%). The employees may personally contribute to such plan to the maximum permitted by law. Pension expense for the years ended December 31, 2010 and 2009, is \$95,306 and \$82,862, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

11. Related party transactions

Related party transactions are monitored by the board in accordance with a conflict of interest policy adopted to deal with these issues. In 2010 and 2009, a line of credit totaling \$1,500,000 was secured at a bank. The president of the organization is a member of the bank's Board of Directors ending in 2010.

12. Analysis of changes in net asset classifications

The recording of certain transactions of the Organization in accordance with accounting principles generally accepted in the United States has a significant impact on the increase (decrease) in net assets reported annually by the Organization. The most significant impact is the recording of restricted grants and contributions as temporarily restricted support before incurring expenses funded by those grants and contributions. The following is a summary of increases (decreases) in net assets reported annually by the Organization for the last six years. In 2005 the Organization completed a capital campaign and the construction of the Center for Families resulting in the release of restricted grants and contributions.

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
2005	\$ 3,050,004	\$(2,084,690)	\$ 965,314
2006	(1,765)	1,273,842	1,272,077
2007	808,865	(416,672)	392,193
2008	(12,217)	(168,353)	(180,570)
2009	(54,096)	(33,754)	(87,850)
2010	<u>(361,610)</u>	<u>(677,129)</u>	<u>(1,038,739)</u>
Net change	<u>\$ 3,429,181</u>	<u>\$(2,106,756)</u>	<u>\$ 1,322,425</u>

13. Leases

At December 31, 2004, the Organization entered into an arrangement with Fellowship Missionary Baptist Church. This arrangement includes a ground lease providing for the construction of a multi-purpose building owned by the Organization and the use of surface parking. In return for these privileges, the Organization made an initial lump-sum rent payment of \$419,368 which was recorded as a land improvement. Amortization of this land improvement is classified as depreciation expense. No additional payments are required under the lease. The lease is for a term of 50 years with the option to renew the term for two consecutive periods of 25 years each. The ground lease restricts usage to a manner consistent with the tenant's and the landlord's faith-based missions.

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13. Leases (continued)

Future depreciation expense under this arrangement is as follows:

<u>Year end December 31,</u>	<u>Amount</u>
2011	\$ 10,753
2012	10,753
2013	10,753
2014	10,753
2015	10,753
Thereafter	<u>311,838</u>
Total	<u>\$ 365,603</u>

The Organization leases copiers under two operating leases, both of which expire January 31, 2012 and a postage machine under operating lease which expires January 31, 2011. Total monthly lease payments are \$1,395.

Future minimum lease payments due under these leases are as follows:

<u>Year end December 31,</u>	<u>Amount</u>
2011	\$ 15,090
2012	<u>1,245</u>
Total	<u>\$ 16,335</u>

Total lease expense was \$16,737 and \$3,045 for the years ended December 31, 2010 and 2009, respectively.

14. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2009 to conform with classifications of the current year. The reclassifications impacted program expenses and did not affect the Organization's financial position or results of operations.