

MACC Alliance of Connected Communities

Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2007 and 2006

Carpenter Evert
Certified Public Accountants



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Independent Auditor's Report

Board of Directors
MACC Alliance of Connected Communities
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of MACC Alliance of Connected Communities as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, functional expense and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of MACC Alliance of Connected Communities as of December 31, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Minneapolis, Minnesota
May 1, 2008

EXHIBIT B

MACC ALLIANCE OF CONNECTED COMMUNITIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR 2006

	2007				2006	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Professional and Contract Services	\$ 270,525	\$ 36,314	\$ 5,712	\$ 42,026	\$ 312,551	\$ 288,195
Personnel Expense	167,860	7,694	14,276	21,970	189,830	167,365
Membership Services	115,101	-	-	-	115,101	26,391
National Dues	19,460	-	-	-	19,460	18,900
Meetings and Conferences	16,492	-	-	-	16,492	19,686
Office Expense	9,514	-	-	-	9,514	8,796
Travel	6,272	-	-	-	6,272	4,426
Training	2,040	-	-	-	2,040	2,084
Insurance	-	1,775	-	1,775	1,775	2,043
Other Expense	618	25	-	25	643	1,301
Civic Engagement Campaign	-	-	-	-	-	23,502
Total Expense	\$ 607,882	\$ 45,808	\$ 19,988	\$ 65,796	\$ 673,678	\$ 562,689

The accompanying Notes to Financial Statements
are an integral part of this statement.

MACC ALLIANCE OF CONNECTED COMMUNITIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Professional and Contract Services	\$ 182,332	\$ 40,863	\$ 65,000	\$ 105,863	\$ 288,195
Personnel Expense	150,048	3,996	13,321	17,317	167,365
Membership Services	26,391	-	-	-	26,391
National Dues	18,900	-	-	-	18,900
Meetings and Conferences	19,686	-	-	-	19,686
Office Expense	8,796	-	-	-	8,796
Travel	4,426	-	-	-	4,426
Training	2,084	-	-	-	2,084
Insurance	-	2,043	-	2,043	2,043
Other Expense	1,276	25	-	25	1,301
Civic Engagement Campaign	23,502	-	-	-	23,502
Total Expense	\$ 437,441	\$ 46,927	\$ 78,321	\$ 125,248	\$ 562,689

The accompanying Notes to Financial Statements
are an integral part of this statement.

MACC ALLIANCE OF CONNECTED COMMUNITIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 392,672	\$ 384,521
Accounts Receivable	3,018	1,575
Grants Receivable	355,000	250,000
Due from an Affiliated Organization	13,390	11,259
Prepaid Insurance	936	777
Total Current Assets	<u>765,016</u>	<u>648,132</u>
Investment in MACC Common Wealth	745	-
Grants Receivable	-	190,217
Equipment - Net	<u>-</u>	<u>115,101</u>
 TOTAL ASSETS	 <u>\$ 765,761</u>	 <u>\$ 953,450</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 5,875	\$ 196,493
Accrued Expense	11,815	10,304
Deferred Revenue	-	45,000
Total Current Liabilities	<u>17,690</u>	<u>251,797</u>
Net Assets:		
Unrestricted	170,571	102,274
Temporarily Restricted	<u>577,500</u>	<u>599,379</u>
Total Net Assets	<u>748,071</u>	<u>701,653</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 765,761</u>	 <u>\$ 953,450</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MACC ALLIANCE OF CONNECTED COMMUNITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 46,418	\$ 679,479
Total Adjustments	<u>(37,522)</u>	<u>(186,675)</u>
Net Cash Provided by Operating Activities	8,896	492,804
Cash Flows from Investing Activities:		
Purchase of Equipment	-	(115,101)
Purchase of Investment	<u>(745)</u>	<u>-</u>
Net Cash (Used) by Investing Activities	(745)	(115,101)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase in Cash	8,151	377,703
Cash - Beginning of Year	<u>384,521</u>	<u>6,818</u>
Cash - End of Year	<u>\$ 392,672</u>	<u>\$ 384,521</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MACC ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

Organizational Purpose

MACC Alliance of Connected Communities is a partnership of community-based social service organizations, primarily neighborhood and community centers, with the primary goal to collectively advocate for changes in both policy and practice in order to affect long-term, systemic change in the lives of low-income individuals, families and communities in the Minneapolis/St. Paul Metropolitan area.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to MACC Alliance of Connected Communities, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Doubtful Accounts

No allowance for doubtful accounts has been provided as all receivables are considered collectable.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

MACC ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies (continued)

Equipment

Equipment in excess of \$2,500 is recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life as follows:

Computer Equipment	2 - 5 years
Furniture, Fixtures and Other Equipment	3 - 10 years

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Expenses for providing various programs have been summarized on a functional basis. Certain costs have been allocated among programs and supporting services based on best estimates of management.

Income Tax

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

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

MACC ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

2. Significant Concentrations of Credit Risk

MACC Alliance of Connected Communities provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of which are local residents. In addition, accounts and grants receivable are from local institutions.

3. Grants Receivable

The balance of grants receivable are due as follows:

<u>Due in the Year Ending December 31,</u>	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 250,000
2008	<u>355,000</u>	<u>205,000</u>
Total Grants Receivable	355,000	455,000
Less Discount at 5%	<u>-</u>	<u>14,783</u>
Net Grants Receivable	355,000	440,217
Current Portion	<u>355,000</u>	<u>250,000</u>
Long-term Portion	<u>\$ -</u>	<u>\$ 190,217</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following as of:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
MACC CommonWealth, LLC and Capacity Building	\$ 492,500	\$ 449,379
Future Years' General Operations	75,000	150,000
Home Ownership Project	<u>10,000</u>	<u>-</u>
	<u>\$ 577,500</u>	<u>\$ 599,379</u>

5. In-kind Contributions

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Professional and Contract Services	\$ 245,117	\$ 169,149
Meetings and Conferences	<u>2,110</u>	<u>1,220</u>
	<u>\$ 247,227</u>	<u>\$ 170,369</u>

MACC ALLIANCE OF CONNECTED COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

6. Related Party Transactions

The Board of Directors is comprised of representatives of member neighborhood and community centers who are recipients of the Organization's services and establish annual membership fees.

7. Affiliated Party Activity

The Organization has an administrative service support agreement with Pillsbury United Communities. Administrative service support expense of \$34,874 and \$39,700 was reported by the Organization for the years ended December 31, 2007 and 2006, respectively.

8. Collaborative Agreement

In January 2007, MACC Alliance of Connected Communities joined with four other non-profit organizations to form MACC CommonWealth, LLC (also a non-profit) to deliver a shared solution for meeting the key administrative functions of finance, human resources and information technology. This partnership was formed to support the needs of all members with enhanced quality of administrative functions, reduced operating risk and controlled costs. MACC Alliance of Connected Communities transferred assets at book value of \$745 as a capital contribution. Additionally, MACC Alliance of Connected Communities contributed \$115,101 of equipment to the MACC CommonWealth, LLC in 2007.

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Grants Receivable	\$ 190,217	\$ (190,217)
Transfer to MACC CommonWealth, LLC	115,101	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(190,618)	190,995
Accrued Salaries and Vacation	1,511	(223)
Due to an Affiliated Organization	-	(16,715)
Deferred Revenue	(45,000)	45,000
Decreases (Increases) in Current Assets:		
Accounts Receivable	(1,443)	10,500
Grants Receivable	(105,000)	(215,000)
Due from an Affiliated Organization	(2,131)	(11,259)
Prepaid Insurance	(159)	244
Total Adjustments	<u>\$ (37,522)</u>	<u>\$ (186,675)</u>