

**COMMUNITY SHARES OF MINNESOTA
(A NONPROFIT CORPORATION)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

**COMMUNITY SHARES OF MINNESOTA
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YEAR ENDED DECEMBER 31, 2011**

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Shares of Minnesota
Saint Paul, Minnesota

We have audited the accompanying statement of financial position of Community Shares of Minnesota as of December 31, 2011, and the 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.

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 Community Shares of Minnesota as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
July 16, 2012

**COMMUNITY SHARES OF MINNESOTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

CURRENT ASSETS

Cash Available for Operations	\$ 253,330
Cash - Funds Held in Trust	1,182,936
Accounts Receivable	14,221
Pledges Receivable - Net Allowance of \$55,030	557,178
Management Fee Receivable	99,410
Prepaid Expenses	10,362
Total Current Assets	2,117,437

EQUIPMENT

Office Equipment and Software	131,910
Less: Accumulated Depreciation	114,892
Net Equipment	17,018

Total Assets	\$ 2,134,455
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of Credit	\$ 81,678
Accounts Payable	689
Accrued Liabilities	13,491
Distributions Payable	78,473
Funds Held in Trust	1,171,477
Capital Lease Payable, Current	1,439
Total Current Liabilities	1,347,247

LONG-TERM LIABILITIES

Capital Lease Payable, Less Current Portion	8,520
Total Liabilities	1,355,767

NET ASSETS

Unrestricted - Designated	159,575
Temporarily Restricted	619,113
Total Net Assets	778,688

Total Liabilities and Net Assets	\$ 2,134,455
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See accompanying Notes to Financial Statements.

**COMMUNITY SHARES OF MINNESOTA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Campaign Contributions	\$ -	\$ 639,092	\$ 639,092
Grants and Contributions	54,765	2,000	56,765
Dues	150,000	-	150,000
Management Fees	193,949	-	193,949
Interest Income	1,818	-	1,818
Miscellaneous	27,186	-	27,186
Net Assets Released from Restrictions	598,199	(598,199)	-
Total Public Support and Revenue	1,025,917	42,893	1,068,810
EXPENSES			
Program Services:			
Grants to Agencies	515,242	-	515,242
Community Services	481,643	-	481,643
Total Program Services	996,885	-	996,885
Supporting Activities:			
Management and General	47,504	-	47,504
Fundraising	34,549	-	34,549
Total Supporting Activities	82,053	-	82,053
Total Expenses	1,078,938	-	1,078,938
CHANGE IN NET ASSETS	(53,021)	42,893	(10,128)
Net Assets - Beginning of Year	212,596	576,220	788,816
NET ASSETS - END OF YEAR	\$ 159,575	\$ 619,113	\$ 778,688

See accompanying Notes to Financial Statements.

**COMMUNITY SHARES OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011**

	Program Service			Totals	Management and General	Fundraising	Total 2011
	Workplace Giving	Combined Federal Campaign	Fiscal Management				
Salaries	\$ 131,914	\$ 63,885	\$ 29,980	\$ 225,779	\$ 21,985	\$ 15,989	\$ 263,753
Taxes and Benefits	48,045	19,658	10,919	78,622	8,008	5,824	92,454
Total Expenses	179,959	83,543	40,899	304,401	29,993	21,813	356,207
Distributions to Agencies	515,242	-	-	515,242	-	-	515,242
Contractual Services	26,741	255	6,078	33,074	4,457	3,241	40,772
Printing and Reproduction	8,724	10,540	1,983	21,247	1,454	1,057	23,758
Rent and Utilities	17,876	6,982	4,063	28,921	2,979	2,167	34,067
Legal and Professional	14,827	11,288	3,370	29,485	2,471	1,797	33,753
Miscellaneous	8,438	-	1,918	10,356	1,406	1,023	12,785
Office Supplies and Postage	4,636	1,781	1,054	7,471	773	562	8,806
Advertising Expense	997	5,387	227	6,611	166	121	6,898
Campaign and Recruitment	9,253	-	2,103	11,356	1,542	1,122	14,020
Local Transportation	2,677	5,936	608	9,221	446	324	9,991
Telephone	1,640	477	373	2,490	273	199	2,962
Interest	102	3,980	23	4,105	17	12	4,134
Dues and Subscriptions	2,012	-	458	2,470	336	244	3,050
Conferences and Meetings	3,200	1,097	727	5,024	533	388	5,945
Insurance	2,229	563	507	3,299	371	270	3,940
Total Expenses	798,553	131,829	64,391	994,773	47,217	34,340	1,076,330
Depreciation	1,721	-	391	2,112	287	209	2,608
Total Functional Expenses	\$ 800,274	\$ 131,829	\$ 64,782	\$ 996,885	\$ 47,504	\$ 34,549	\$ 1,078,938

See accompanying Notes to Financial Statements.

**COMMUNITY SHARES OF MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$ (10,128)
Adjustments to Reconcile Decrease in Net Asset to Net Cash Provided by Operating Activities:	
Depreciation	2,608
(Increase) Decrease in Current Assets:	
Prepaid Expenses	1,045
Accounts Receivable	(11,445)
Pledges Receivable	(80,913)
Other Receivables	88,652
Management Fee Receivable	7,533
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(6,173)
Accrued Expenses	2,645
Other Liabilities	5,848
Funds Held in Trust	667,511
Net Cash Provided by Operating Activities	<u>667,183</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Line of Credit	146,038
Payments on Line of Credit	(152,726)
Payments on Capital Lease	(116)
Net Cash Used by Financing Activities	<u>(6,804)</u>

NET INCREASE IN CASH

660,379

Cash - Beginning of Year

775,887

CASH - END OF YEAR

\$ 1,436,266

SUPPLEMENTAL DISCLOSURES

Cash:

Cash Available for Operations	\$ 253,330
Cash - Funds Held in Trust	1,182,936
Total Cash	<u><u>\$ 1,436,266</u></u>

Interest Paid

\$ 2,924

NON-CASH INVESTING AND OPERATING ACTIVITIES

Equipment Acquired through Capital Lease

\$ 10,075

See accompanying Notes to Financial Statements.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Shares of Minnesota (the Organization) is incorporated under the laws of the State of Minnesota as a nonprofit organization. The purpose of the Organization is to develop, through public awareness and cooperative fundraising and other nonprofit capacity building strategies, sustained support for organizations engaged in social action and community improvement in the Twin Cities area.

The activities of the Organization include the following:

Workplace Giving Campaigns

Community Shares of Minnesota conducts an annual workplace giving campaign to create sustained financial support for organizations engaged in social justice in the State of Minnesota. Employees at the work sites have the option of designating their contributions to any or all of the member groups or to any registered non-profit organization.

Community Shares of Minnesota supports collective action to eliminate root causes of inequality and injustice, connects donors with a meaningful opportunity to invest in social justice and empowers nonprofit organizations in the creation of a fair, just and equitable society.

Community Shares of Minnesota provides full service campaign management including online donor registration, pledge tracking and collection, campaign accounting and reporting, grantee evaluation and grant distribution.

Community Shares of Minnesota partners with member organizations and serves by providing leadership development opportunities, training and technical assistance, recruitment of new members, member-to-member collaboration and member organization review, which all serve to build members' capacity and growth. Community Shares of Minnesota promotes volunteer outreach by corporate relationship building and procurement, coordination, training and management of volunteers performing community services for the organizations and communities served by member organizations.

Community Shares of Minnesota's campaign efforts provide community education by promoting public awareness of social justice issues, increasing visibility of member organization's activities, issues, concerns and program services, and providing information and education about philanthropy. Community Shares of Minnesota provides training and education to work place partners and their employees regarding member organizations, workplace campaigns and campaign structure.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Combined Federal Campaign

Community Shares of Minnesota is the Principal Combined Fund Organization (PCFO) for the Northern Lights Combined Federal Campaign serving Minnesota, North Dakota, South Dakota, Iowa, and Wisconsin (the CFC). As a member of the CFC, Community Shares of Minnesota provides campaign operations in accordance with federal regulations including pledge support, campaign management support, campaign marketing, applications processing, reporting and financial accounting.

Fiscal Management Campaigns

Community Shares of Minnesota contracts with employers to manage individual, segregated workplace giving campaigns. Services provided include campaign management, online donor registration, customer service to donors and recipient agencies, campaign accounting and reporting, and grant distribution. Campaigns are open campaigns, facilitating donor choice and creating a stronger community.

Basis of Presentation

The financial statements of Community Shares of Minnesota have been prepared on the accrual basis of accounting. Receipts are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any 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. The board of directors has designated all unrestricted net assets up to \$342,000 for operating reserves and equipment purchases.

Temporarily Restricted – Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently. At this time the Organization has no such permanently restricted resources.

Use of Estimates

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

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Management Fee Receivable

The Organization provides for uncollectible accounts based on the allowance method using management's judgment. Receivable balances are unsecured. An allowance is estimated based on the historical experience of the Organization. Accounts that are determined to be uncollectible are written off at that time. No allowance for bad debts is considered necessary at December 31, 2011.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give (pledges receivable) increase unrestricted or temporarily restricted contributions. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Distributions Payable

Distributions payable are monies received by the Organization from the annual campaign that will be distributed to member agencies in 2012.

Funds Held in Trust

Funds held in trust are monies received by the Organization as a result of managing the Northern Lights Combined Federal Campaign and other workplace campaigns. Substantially all monies received from these campaigns are distributed to agencies and the Organization for management services.

Equipment and Depreciation

The Organization capitalizes all expenditures of property and equipment with a useful life of great than one year, and a cost in excess of \$1,000. Office equipment is recorded at cost, or in the case of contributed property at the fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of office equipment are recorded as unrestricted support.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. 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 income for the period.

Depreciation is determined using the straight-line method over the estimated useful lives. For the year ended December 31, 2011, depreciation expense was \$2,608.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. All donor-restricted contributions are reported as increases 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 and changes in net assets as net assets released from restrictions.

Campaign Contributions

Annual campaigns are conducted in the fall of the year to raise support for allocations to agencies in the subsequent calendar year. Pledges are recorded when made and allowances are provided for amounts estimated to be uncollectible. The Organization retains a specified percentage of all campaign funds received as a management fee to defray operating and fundraising expenses. Ten percent of all campaign pledges is retained and is earned upon allocation of support to agencies.

Dues are recorded as revenue as pledges are collected and withheld from member agency distributions.

Donated Materials and Services

Donated materials and equipment are reflected as in-kind contributions at their estimated value at the date of receipt. Donated services are recognized to the extent that such services meet specific criteria with respect to creating or enhancing nonfinancial assets or services which require specialized skills. A substantial number of volunteers have donated significant amounts of time to the Organization's programs and fundraising campaigns which did not meet the criteria for recognition in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various services and other activities have been presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses advertising costs as incurred. The amount charged to operations was \$6,898 for the year ended December 31, 2011.

Income Tax Status

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 not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The Organization's 2008-2010 income tax returns are subject to review and examination by federal and state authorities in accordance with prescribed statutes. The Organization has not been examined for any open years.

Participating Federation

The Organization is the Principal Combined Fund Organization (PCFO) for the Northern Lights Combined Federal Campaign (CFC). The Organization participates as a member federation in the CFC. As a member federation, the Organization is required to meet certain requirements including honoring designations made to each member organization by distributing a proportionate share of receipts based on donor designations. The Organization complied with these requirements in all respects for the year ended December 31, 2011.

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 believe 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.

Subsequent Events Policy

Subsequent events have been evaluated through July 16, 2012, which is the date the financial were available to be issued.

NOTE 2 CONCENTRATIONS

Cash includes FDIC insured amounts on deposit at a financial institution which may at times exceed the federally insured amount. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate.

NOTE 3 CASH RESTRICTIONS

The Organization has maintained separate bank accounts for administration of the Northern Lights Combined Federal Campaign. At December 31, 2011, the balance of these accounts was \$343,568.

As of December 31, 2011, cash includes \$\$839,368 of funds held on behalf of various organizations.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 PLEDGES RECEIVABLE

Promises to give at December 31, 2011 result from the workplace giving campaign. Pledges receivable at December 31, 2011 will be collected as follows:

Receivable in:	
Less than One Year	\$ 612,208
Allowance for Doubtful Collections	<u>(55,030)</u>
Total Promises to Give Receivable	557,178
Less: Current Portion	<u>(557,178)</u>
Total Noncurrent Portion	<u><u>\$ -</u></u>

NOTE 5 LINE OF CREDIT

The Organization established a \$150,000 line of credit with a local bank. The note is secured by the Organization's equipment, membership dues, receivables and all other rights to receipts. Any outstanding principal is due by June 15, 2012 and accrues interest at variable rate. The interest rate at December 31, 2011 was 3.25%. The Organization has an outstanding balance of \$81,678 at December 31, 2011.

NOTE 6 RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following periods:

Periods after December 31, 2011	<u><u>\$ 619,113</u></u>
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or by the passage of time:

Time Restriction Expired on Campaign Contributions	\$ 572,199
Specific Grant Programs	<u>26,000</u>
Total Net Assets Released	<u><u>\$ 598,199</u></u>

NOTE 7 DEFINED CONTRIBUTION PLAN

The Organization has a defined contribution plan subject to the Employee Requirement Income Security Act of 1974. The Employer contribution for the year ended December 31, 2011 was \$7,890.

**COMMUNITY SHARES OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 8 COMMITMENTS

The Organization has a lease for office space under a five-year operating lease which expires on December 31, 2016. The lease provides that the base rent shall increase each year. The rental expense was \$34,067 for the year ended December 31, 2011. The following is a schedule of future minimum rental payments required under the lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 20,544
2013	21,156
2014	21,804
2015	22,452
2016	23,124
Total	<u>\$ 109,080</u>

During 2011, the Organization entered into a capital lease for office equipment. At December 31, 2011, the cost of equipment under the capital lease is \$10,075 and the corresponding accumulated depreciation is \$136. Depreciation on the office equipment under capital lease is included in depreciation expense.

	<u>Amount</u>
Capital Lease Payable - Office Equipment	
Monthly Installments through December 2016	\$ 9,959
Less: Current Maturities of Capital Lease Payable	<u>(1,439)</u>
Capital Lease Payable Net of Current Maturities	<u>\$ 8,520</u>

Future capital lease payments, including interest, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 2,040
2013	2,040
2014	2,040
2015	2,040
2016	3,770
Total Minimum Lease Payments	11,930
Less: Amount Representing Interest on Capital Lease Payable	<u>(1,971)</u>
Net Minimum Capital Lease Payable	<u>\$ 9,959</u>