

MACC Commonwealth Services, Inc.
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2010 and 2009

Carpenter *Evert*
Certified Public Accountants



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Independent Auditor's Report

Board of Directors
MACC CommonWealth Services, Inc.
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of MACC CommonWealth Services, Inc. as of December 31, 2010 and 2009, 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 CommonWealth Services, Inc. as of December 31, 2010 and 2009, and its 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
June 24, 2011

MACC COMMONWEALTH SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010		2009	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue:				
Contributions	\$ 13,503	\$ -	\$ 46,960	\$ 180,484
Government Grants and Contracts	247,307	-	227,990	-
Service Fees	3,108,580	-	3,057,333	-
(Losses) on Asset Disposal	(5,999)	-	(85,720)	-
Interest and Other Income	6,209	-	2,090	-
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	64,417	(64,417)	66,100	(66,100)
Total Support and Revenue	3,434,017	(64,417)	3,314,753	114,384
		Total		Total
		\$ 3,108,580		\$ 3,057,333
		247,307		227,990
		13,503		46,960
		(5,999)		(85,720)
		6,209		2,090
		66,100		(66,100)
		3,369,600		114,384
		3,181,317		3,092,601
Expense:				
Program Services	3,181,317	-	3,092,601	-
Support Services:				
Management and General	164,280	-	128,287	-
Fundraising	-	-	31,365	-
Total Support Services	164,280	-	159,652	-
Total Expense	3,345,597	-	3,252,253	-
Change in Net Assets	88,420	(64,417)	62,500	114,384
Net Assets - Beginning of Year	175,575	276,295	113,075	161,911
Net Assets - End of Year	\$ 263,995	\$ 211,878	\$ 175,575	\$ 276,295
		\$ 475,873		\$ 451,870
		451,870		274,986
		24,003		176,884
		62,500		114,384
		113,075		161,911
		175,575		276,295
		211,878		276,295
		475,873		451,870

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

EXHIBIT B

MACC COMMONWEALTH SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	2010			2009	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
Wages	\$ 1,177,318	\$ 68,521	-	68,521	\$ 1,245,839
Employee Benefits	206,327	12,008	-	12,008	218,335
Payroll Taxes	82,280	4,789	-	4,789	87,069
Temporary Agency	13,800	803	-	803	14,603
Subtotal Personnel	1,479,725	86,121	-	86,121	1,565,846
Professional Fees	1,142,003	54,066	-	54,066	1,196,069
Office and Technology	160,597	3,356	-	3,356	163,953
Telecommunication	144,603	711	-	711	145,314
Occupancy	73,673	3,472	-	3,472	77,145
Other Expense	28,252	14,318	-	14,318	42,570
Staff and Volunteer Training	14,830	1,880	-	1,880	16,710
Transportation	2,633	47	-	47	2,680
Depreciation	135,001	309	-	309	135,310
Total Expense	\$ 3,181,317	\$ 164,280	\$ -	\$ 164,280	\$ 3,345,597
					\$ 3,252,253

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

EXHIBIT C

MACC COMMONWEALTH SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Wages	\$ 1,120,846	\$ 77,090	\$ 1,327	\$ 78,417	\$ 1,199,263
Employee Benefits	177,325	12,196	210	12,406	189,731
Payroll Taxes	80,974	5,573	97	5,670	86,644
Subtotal Personnel	<u>1,379,145</u>	<u>94,859</u>	<u>1,634</u>	<u>96,493</u>	<u>1,475,638</u>
Professional Fees	750,733	20,410	29,597	50,007	800,740
Office and Technology	417,107	3,506	47	3,553	420,660
Telecommunication	243,671	1,194	25	1,219	244,890
Occupancy	64,109	3,498	34	3,532	67,641
Other Expense	21,632	3,958	9	3,967	25,599
Staff and Volunteer Training	5,963	211	2	213	6,176
Transportation	3,324	77	1	78	3,402
Depreciation	206,917	574	16	590	207,507
Total Expense	<u>\$ 3,092,601</u>	<u>\$ 128,287</u>	<u>\$ 31,365</u>	<u>\$ 159,652</u>	<u>\$ 3,252,253</u>

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

MACC COMMONWEALTH SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and Cash Equivalents	\$ 946,081	\$ 745,953
Accounts Receivable	153,175	177,184
Prepaid Expense	149,955	149,922
Total Current Assets	1,249,211	1,073,059
Long-term Assets:		
Equipment	581,043	625,835
Less Accumulated Depreciation	498,524	402,007
Net Long-term Assets	82,519	223,828
TOTAL ASSETS	\$ 1,331,730	\$ 1,296,887
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 43,057	\$ 13,947
Accrued Expense	299,556	285,058
Deferred Revenue	256,925	242,535
Refundable Advances	-	10,000
Capital Lease Payable	-	37,158
Total Current Liabilities	599,538	588,698
Notes Payable to Founders	256,319	256,319
Total Liabilities	855,857	845,017
Net Assets:		
Unrestricted	263,995	175,575
Temporarily Restricted	211,878	276,295
Total Net Assets	475,873	451,870
TOTAL LIABILITIES AND NET ASSETS	\$ 1,331,730	\$ 1,296,887

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

MACC COMMONWEALTH SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 24,003	\$ 176,884
Total Adjustments	<u>213,283</u>	<u>297,738</u>
Net Cash Provided by Operating Activities	237,286	474,622
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
Capital Lease Payments	(37,158)	(45,249)
Principal Payments on Notes Payable	<u>-</u>	<u>(94,987)</u>
Net Cash (Used) by Financing Activities	<u>(37,158)</u>	<u>(140,236)</u>
Net Increase in Cash and Cash Equivalents	200,128	334,386
Cash - Beginning of Year	<u>745,953</u>	<u>411,567</u>
Cash - End of Year	<u>\$ 946,081</u>	<u>\$ 745,953</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
	<u>2010</u>	<u>2009</u>
Cash Paid For:		
Interest	<u>\$ 1,651</u>	<u>\$ 7,557</u>

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

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. Summary of Significant Accounting Policies

Organizational Purpose

MACC CommonWealth Services, Inc. (MCW) is a Delaware non-profit corporation that provides management services to charitable organizations in the Minneapolis-St. Paul metropolitan area that are affiliated with the MACC Alliance of Connected Communities. MCW began operations on January 1, 2007. Service is provided in the areas of finance, human resources, information technology, medical billing, facilities and client data management. The corporation has been managed by the following founding members: Emerge Community Development, MACC Alliance of Connected Communities, Phyllis Wheatley Community Center, Pillsbury United Communities, Plymouth Christian Youth Center and The Family Partnership.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to MCW, 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. Property and 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, MCW considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

MCW extends credit to its customers on terms it establishes for individual customers. Receivable are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and overdue balances may be charged interest at 1% per month. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivable when they are considered uncollectible. Accounts are stated net of the allowance for doubtful accounts of \$12,717 and \$-0- at December 31, 2010 and 2009, respectively.

Property and Equipment

All major expenditures for property and equipment in excess of \$2,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method, over the following estimated useful lives:

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

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.

Contributions of long-lived assets are recorded as temporarily restricted when received and the restriction is satisfied as they are depreciated.

Promises-To-Give (Pledges 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.

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management. In 2010, management considers fund raising expense to be minimal and is included with management and general expense.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. 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.

Subsequent Events

MCW has evaluated the effect that subsequent events would have on the financial statements through June 24, 2011, which is the date financial statements were available to be issued.

Effective January 1, 2011 the governance structure of MCW was reorganized. MACC Alliance of Connected Communities became the sole member of MCW and the founding members direct the operation of MCW through the operation of the MACC Alliance of Connected Communities Board of Directors.

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. Significant Concentrations of Credit Risk

MCW provides services within the Twin Cities area. Contributions, service fees and accounts receivable are from local institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2010 and 2009, the Organization had funds on deposit in a local financial institution in excess of federally insured limits.

3. Property and Equipment

Furniture and equipment leasehold improvements were comprised of the following as of:

	December 31,	
	2010	2009
Computer Equipment	\$ 581,043	\$ 581,042
Equipment	-	44,793
	581,043	625,835
Less Accumulated Depreciation	498,524	402,007
	\$ 82,519	\$ 223,828

Depreciation and amortization expense of \$135,310 and \$207,507 was recorded for the years ended December 31, 2010 and 2009, respectively.

4. Notes Payable and Line-of-Credit

MCW maintains a \$150,000 line-of-credit with Wells Fargo Business Bank. This line-of-credit will mature on August 31, 2011, and has a current interest rate of 5%.

5. Notes Payable to Founders

Non-interest bearing notes payable to founders are as follows as of:

	December 31,	
	2010	2009
Pillsbury United Communities	\$ 147,753	\$ 147,753
MACC Alliance of Connected Communities	745	745
The Family Partnership	84,405	84,405
Phyllis Wheatley Community Center	6,191	6,191
Plymouth Christian Youth Center	17,225	17,225
	\$ 256,319	\$ 256,319

The member notes are payable upon dissolution of MCW unless prepaid.

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

6. In-kind Contributions

MCW records in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of:

	December 31,	
	2010	2009
Interest	\$ 12,816	\$ 12,816

7. Leased Facilities

MCW leases office space from The Family Partnership on a month-to-month basis. Rent expense was \$63,583 and \$55,901 for the years ending December 31, 2010 and 2009, respectively.

8. Pension Plan

The Organization initiated a 403(b) retirement plan January 1, 2009. The plan is funded by discretionary employer profit sharing and matching contributions, and employee contributions. Contributions of \$74,226 and \$66,472 were made in the years ended December 31, 2010 and 2009, respectively.

9. Temporarily Restricted Net Assets

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

	December 31,	
	2010	2009
Client Data System Development	\$ 129,214	\$ 129,214
Long-lived Asset Value	31,394	95,811
Future Operations	30,270	30,270
Member Training and Orientation	21,000	21,000
	\$ 211,878	\$ 276,295

MACC COMMONWEALTH SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

10. 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>2010</u>	<u>2009</u>
Depreciation	\$ 135,310	\$ 207,507
Loss on Disposal	5,999	85,720
Increases (Decreases) in Current Liabilities:		
Accounts Payable	29,110	(146,050)
Accrued Expense	14,498	218,830
Deferred Revenue	14,390	60,495
Refundable Advances	(10,000)	(9,895)
Decreases (Increases) in Current Assets:		
Accounts Receivable	24,009	(120,550)
Grants Receivable	-	50,000
Prepaid Expense	(33)	(48,319)
Total Adjustments	<u>\$ 213,283</u>	<u>\$ 297,738</u>