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***We Are Changing What It Means To Be Blind***

Website: [www.nfbmn.org](http://www.nfbmn.org)

### **Audit Committee Report**

For Fiscal Year Ending March 31, 2011

June 3, 2011

As directed by the Board of Directors, the audit committee met to review the organization's annual financial statements and accounting records for the period ending March 31, 2011. All members of the committee, Pat Barrett, Rob Hobson, and Steve Jacobson, were present. The committee raised several minor questions that were answered completely. The committee concludes that the financial statements accurately reflect the organization's financial position and that the organization is effectively managed.

Respectfully submitted

Steve Jacobson, Chairperson  
Audit Committee

**National Federation of the Blind of Minnesota, Inc.**  
**Statement of Financial Position**  
**March 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$84,878	\$73,171
Sales/Service Inventory	<u>3,625</u>	<u>5,235</u>
Total Current Assets	88,503	78,406
Fixed Assets		
Property (Net of Depreciation, Note 2)	2,489	5,823
Equipment (Net of Depreciation, Note 2)	<u>4,353</u>	<u>3,616</u>
Total Fixed Assets	6,842	9,439
Other Assets		
Investments (Note 3)	<u>142,728</u>	<u>126,767</u>
Total Other Assets	142,728	126,767
TOTAL ASSETS	<u><u>\$238,073</u></u>	<u><u>\$214,612</u></u>
LIABILITIES		
TOTAL LIABILITIES	<u>\$0</u>	<u>\$0</u>
NET ASSETS		
Unrestricted Net Assets		
Undesignated, Available for General Activities	\$88,503	\$78,406
Designated for Long-Term Investments	<u>142,728</u>	<u>126,767</u>
Total Unrestricted Assets	231,231	205,173
Fixed, Unavailable for General Activities	<u>6,842</u>	<u>9,439</u>
TOTAL NET ASSETS	<u><u>\$238,073</u></u>	<u><u>\$214,612</u></u>

**The accompanying notes are an integral part of these financial statements.**

**National Federation of the Blind of Minnesota, Inc.**  
**Statement of Activities**  
**For the Year Ended March 31, 2011**  
**With Comparable Totals for 2010**

	<u>2011</u>	<u>2010</u>
Income		
Public Support		
Contributions	\$30,624	\$29,401
Corporation and Foundation Support	18,357	14,712
Bequests	<u>4,587</u>	<u>842</u>
Total Support	53,568	44,955
Revenue		
Dues	1,275	1,035
Interest and Dividends	2,893	2,789
Sales and Service	<u>2,247</u>	<u>3,154</u>
Total Revenue	<u>6,415</u>	<u>6,978</u>
Total Income	59,983	51,933
Expense		
Program Services	49,999	55,433
Supporting Services		
Management and General	1,862	2,310
Fundraising	<u>621</u>	<u>901</u>
Total Supporting Services	<u>2,483</u>	<u>3,211</u>
Total Expenses	52,482	58,644
Change in Unrestricted Net Assets Before Extraordinary Items	7,501	(6,711)
Unrealized Gain (Loss) on Investments	<u>15,960</u>	<u>45,806</u>
Change in Unrestricted Net Assets	23,461	39,095
Net Assets, Beginning of Year	<u>214,612</u>	<u>175,517</u>
Net Assets, End of Year	<u>\$238,073</u>	<u>\$214,612</u>

**The accompanying notes are an integral part of these financial statements.**

**National Federation of the Blind of Minnesota, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2011**  
**With Comparable Totals for 2010**

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total Expenses 2011</u>	<u>Total Expenses 2010</u>
Conferences and Workshops	\$4,571	\$0	\$0	\$4,571	\$11,462
Contract Services	5,338	0	0	5,338	5,399
Supplies	3,714	19	157	3,890	3,952
Postage and Shipping	343	0	464	807	1,228
Printing	1,459	0	0	1,459	1,325
Travel	2,572	413	0	2,985	2,632
Professional Services	0	0	0	0	0
Telephone	1,004	54	0	1,058	1,056
Occupancy	6,600	300	0	6,900	6,900
Insurance	481	25	0	506	509
Equipment Rent and Maintenance	0	0	0	0	0
Awards and Grants	19,344	0	0	19,344	19,098
Advertising	267	0	0	267	203
Other	48	199	0	247	273
Total Expenses Before Depreciation	45,741	1,010	621	47,372	54,037
Depreciation	4,258	852		5,110	4,607
Total Expenses	<u>\$49,999</u>	<u>\$1,862</u>	<u>\$621</u>	<u>\$52,482</u>	<u>\$58,644</u>

**The accompanying notes are an integral part of these financial statements.**

**National Federation of the Blind of Minnesota, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended March 31, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities		
Changes in Net Assets, Before Extraordinary Items	\$7,501	(\$6,711)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	5,110	4,607
Inventory	(1,610)	5,235
Net Cash Used by Operating Activities	14,221	(7,339)
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Investments	0	0
Cash Payments for the Purchase of Equipment	2,514	0
Net Cash Used by Investing Activities	2,514	0
Net Increase (Decrease) in Cash and Equivalents	11,707	(7,339)
Cash and Equivalents, Beginning of Year	73,171	80,510
Cash and Equivalents, End of Year	\$84,878	\$73,171
Cash Paid for Interest	\$0	\$0

**The accompanying notes are an integral part of these financial statements.**

**National Federation of the Blind of Minnesota, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2011 and 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The National Federation of the Blind of Minnesota, Inc. (formerly Minnesota Organization of Blind, Inc.) was organized in 1920. One of the Federation's more important programs is public education. This program strives to make the needs and the abilities of blind persons known to the public and to guide the blind in the effective use of services available to them. The organization also serves as an advocate for blind persons, and organizes conferences addressing issues of blind persons. The organization's primary source of funding is public support.

Basis of Presentation

Financial statement presentation follows the recommendations of the American Society of Certified Public Accountants in its industry audit and accounting guide, Audits of Certain Nonprofit Organizations. In 1998, the National Federation of the Blind of Minnesota adopted Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements for Not-For-Profit Organizations*. The provisions of the standard have been applied to the periods presented.

Under the provisions of SFAS No. 116 and 117, 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 National Federation of the Blind of Minnesota, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets

This classification contains net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the National Federation of the Blind of Minnesota, Inc. and/or the passage of time.

Functional Allocation of Expenses

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

Comparative Information

The financial statements include prior-year summarized functional-expense information in total, but not by function. 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 March 31, 2006 from which the summarized information was derived

### Use of Estimates in the Preparation of Financial Statements

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, disclosure of contingent assets and liabilities at financial statement date, and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Statement of Cash Flows

The Federation has elected to use the indirect method of reporting cash flows. The Federation did not obtain outside financing in 2011 and 2010, and as such did not expend cash for interest expense in either year. For the purposes of the statements of cash flows, the Federation considers all cash and other highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

### Cash and Equivalents

The Federation invests funds needed for current operations in short-term instruments including bank savings accounts. Investments in short-term instruments are recorded at market value in accordance with Statement of Financial Accounting Standard No. 124.

### Property and Equipment

Furniture and equipment are recorded at cost for purchased items and fair market value at date of gift for donated items. Depreciation is calculated on the straight-line method over estimated useful lives (3-5 years) of the assets.

### Contributed Services and Materials

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. No such material contributions were made.

### Income Tax Status

The Federation is designated as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from income tax.

### NOTE 2. EQUIPMENT

Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets. The basis of such assets at March 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Building	\$50,000	\$50,000
Office and Computer Equipment	<u>75,359</u>	<u>72,845</u>
Total Cost	125,359	122,845
Less: Accumulated Depreciation	<u>(118,517)</u>	<u>(113,406)</u>
Net Book Value	6,842	9,439

Depreciation expense of \$5,110 and \$4,607 was recorded for the years ended March 31, 2011 and 2010 respectively.

**NOTE 3. STOCK AND INVESTMENTS**

On January 17, 1984, the organization received 200 shares of 3M common stock as a donation. Additional shares have been received as stock splits. In December 1993, 200 shares were sold. On July 1, 1996, the Federation received 40 shares of Imation, Inc. from 3M in a corporate stock spin off. The basis in the stock is allocated between the two investments. On September 20, 2007, the Federation purchased 2,043.04 shares of the Vanguard Total Stock Market Index mutual fund. The total value of the shares on the donation or purchase date and at the March 31, 2011 and 2010 year-ends are:

	<u>Acquired Date</u>	<u>Number Shares</u>	<u>Cost Basis</u>	<u>2011 Market Value</u>	<u>2010 Market Value</u>
3M Company Common Stock	1/17/1984	800	\$10,391	\$74,800	\$67,096
Imation Corp. Common Stock	7/1/1996	40	426	446	443
Vanguard TSMX Fund	9/20/2007	2,043.040	75,000	<u>67,482</u>	<u>59,228</u>
Total Value				\$142,728	\$126,767

In December 1993, the Federation sold part of its stock investment and invested \$50,000 in a joint venture with Blindness: Learning in New Dimensions (BLIND), Inc. The investment consists of a building located at 100 East 22<sup>nd</sup> Street, Minneapolis, Minnesota. The building serves as offices for both organizations.

**NOTE 4. RELATED PARTY TRANSACTIONS**

National Federation of the Blind of Minnesota, Inc. (NFBM) operates under a joint-venture agreement with Blindness: Learning in New Dimensions (BLIND), Inc. for the benefit of the blind of Minnesota. Under this agreement, BLIND, Inc. and NFBM pay 90% and 10%, respectively, towards the maintenance of the building, which is jointly owned by both entities. The Federation pays \$1,000 per month for operating cost, maintenance, and other support services.

The National Federation of the Blind of Minnesota, Inc. is an affiliate of the National Federation of the Blind. During the fiscal year ended March 31, 2011, and 2010 respectively, NFBM contributed \$8,685 and \$8,145 to the national organization.