

***MINNESOTA QUILTERS, INC.***  
***(A MINNESOTA NOT-FOR-PROFIT ORGANIZATION)***

***FINANCIAL STATEMENTS***

***SEPTEMBER 30, 2009***

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**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Minnesota Quilters, Inc.  
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Minnesota Quilters, Inc. (a Minnesota Not-for-Profit organization), as of September 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Minnesota Quilters, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Quilters, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Boyum & Barenscheer PLLP*

Minneapolis, Minnesota  
December 15, 2009

**MINNESOTA QUILTERS, INC.**  
*(A Minnesota Not-For-Profit Organization)*

**STATEMENTS OF FINANCIAL POSITION**

SEPTEMBER 30,	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,516	\$ 44,871
Certificates of deposit	158,110	162,170
Accounts receivable	75	-
Prepaid expenses	19,418	9,203
Furniture and equipment, net of accumulated depreciation of \$20,157 and \$18,529 for 2009 and 2008, respectively	5,917	3,673
<b><i>Total assets</i></b>	<b>\$ 256,036</b>	<b>\$ 219,917</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,396	\$ 1,514
Accrued expenses	833	1,143
Deferred revenues	15,569	11,934
<b><i>Total liabilities</i></b>	<b>21,798</b>	<b>14,591</b>
<b>Net assets</b>		
Unrestricted	234,238	205,326
<b><i>Total liabilities and net assets</i></b>	<b>\$ 256,036</b>	<b>\$ 219,917</b>

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

**MINNESOTA QUILTERS, INC.**  
*(A Minnesota Not-For-Profit Organization)*

**STATEMENTS OF FINANCIAL POSITION**

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**MINNESOTA QUILTERS, INC.**  
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**STATEMENTS OF ACTIVITIES**

YEARS ENDED SEPTEMBER 30,	2009	2008
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUES AND OTHER SUPPORT</b>		
Program Services - Quilt Show		
Admissions	\$ 57,859	\$ 60,916
Registration and class fees	87,102	96,377
Sponsor and vendor revenues	174,800	129,450
Events	37,778	31,546
Contributions	32,411	6,795
Merchandise sales	21,436	22,644
Miscellaneous revenue	8,656	9,976
<i>Total show revenue</i>	<b>420,042</b>	<b>357,704</b>
Other Support		
Membership dues	29,642	32,817
Minnesota Quilt Project	1,020	108
Special event revenue	10,119	6,053
Advertising income	8,634	7,857
Interest income	3,509	7,961
Contributions	3,207	2,041
Miscellaneous	364	18
<i>Total other support</i>	<b>56,495</b>	<b>56,855</b>
<i>Total revenue and support</i>	<b>476,537</b>	<b>414,559</b>
<b>EXPENSES</b>		
Program services	425,542	424,206
Supporting activities		
Management and general	22,083	30,677
<i>Total expenses</i>	<b>447,625</b>	<b>454,883</b>
<i>Increase (decrease) in unrestricted net assets</i>	<b>28,912</b>	<b>(40,324)</b>
Net assets, beginning of year	205,326	245,650
<i>Net assets, end of year</i>	<b>\$ 234,238</b>	<b>\$ 205,326</b>

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**MINNESOTA QUILTERS, INC.**  
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**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED SEPTEMBER 30, 2009**

	Programs	Management and General	Total
Quilt Show			
Advertising	\$ 10,626	\$ 125	\$ 10,751
Consulting fees	2,669	-	2,669
Credit card fees	6,204	1,346	7,550
Events expense	51,259	-	51,259
Facility rent	30,015	-	30,015
Judging expenses	3,847	-	3,847
Meals and mileage	10,604	-	10,604
Merchandise	13,142	-	13,142
Miscellaneous	2,855	-	2,855
Payroll and payroll taxes	40,738	-	40,738
Postage	641	-	641
Printing - registration/show books	21,373	2,213	23,586
Prizes and awards	55,076	395	55,471
Speakers and lecturers	58,192	3,365	61,557
Supplies	1,472	-	1,472
<b>Total Quilt Show expenses</b>	<b>308,713</b>	<b>7,444</b>	<b>316,157</b>
Depreciation	1,596	32	1,628
Facility rent	17,334	2,813	20,147
Fees and dues	5,555	688	6,243
Grants	10,000	-	10,000
Insurance	1,231	2,739	3,970
Miscellaneous	2,807	-	2,807
Newsletter and directory	17,481	-	17,481
Payroll and payroll taxes	35,616	6,286	41,902
Postage	1,115	197	1,312
Professional fees	9,304	1,454	10,758
Speakers and lecturers	-	-	-
Special events	11,966	-	11,966
Supplies	1,024	181	1,205
Telephone	1,800	249	2,049
<b>Total expenses</b>	<b>\$ 425,542</b>	<b>\$ 22,083</b>	<b>\$ 447,625</b>

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

**MINNESOTA QUILTERS, INC.**  
*(A Minnesota Not-For-Profit Organization)*

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED SEPTEMBER 30, 2008**

	Programs	Management and General	Total
Quilt Show			
Advertising	\$ 10,459	\$ -	\$ 10,459
Consulting fees	33,633	616	34,249
Credit card fees	5,251	1,542	6,793
Events expense	43,360	-	43,360
Facility rent	49,245	-	49,245
Judging expenses	2,853	-	2,853
Meals and mileage	4,380	3,651	8,031
Merchandise	37,852	644	38,496
Miscellaneous	1,269	-	1,269
Payroll and payroll taxes	-	-	-
Printing - registration/show books	26,309	3,386	29,695
Postage	1,799	-	1,799
Prizes and awards	33,895	201	34,096
Speakers and lecturers	62,155	-	62,155
Supplies	1,922	-	1,922
<b>Total Quilt Show expenses</b>	<b>314,382</b>	<b>10,040</b>	<b>324,422</b>
Depreciation	1,988	41	2,029
Facility rent	16,782	2,729	19,511
Fees and dues	5,010	573	5,583
Grants	8,600	-	8,600
Insurance	435	2,253	2,688
Miscellaneous	3,079	108	3,187
Newsletter and directory	18,897	-	18,897
Payroll and payroll taxes	32,335	5,706	38,041
Postage	1,088	192	1,280
Professional fees	2,341	8,548	10,889
Speakers and lecturers	7,309	-	7,309
Special events	9,199	-	9,199
Supplies	1,162	206	1,368
Telephone	1,599	281	1,880
<b>Total expenses</b>	<b>\$ 424,206</b>	<b>\$ 30,677</b>	<b>\$ 454,883</b>

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

**MINNESOTA QUILTERS, INC.**  
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**STATEMENTS OF CASH FLOWS**

<b>YEARS ENDED SEPTEMBER 30,</b>	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 28,912	\$ (40,324)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,628	2,029
Changes in assets and liabilities:		
Accounts receivable	(75)	-
Prepaid expenses	(10,215)	(1,724)
Accounts payable	3,882	(1,685)
Accrued expenses	(310)	(3,628)
Deferred revenue	3,635	1,374
	<u>27,457</u>	<u>(43,958)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(206,606)	(152,170)
Proceeds from certificates of deposit	210,666	25,000
Purchase of equipment	(3,872)	(4,559)
	<u>188</u>	<u>(131,729)</u>
<i>Net cash provided (used) by investing activities</i>		
	<u>27,645</u>	<u>(175,687)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>		
Cash and cash equivalents, beginning of year	44,871	220,558
	<u>\$ 72,516</u>	<u>\$ 44,871</u>
<i>Cash and cash equivalents, end of year</i>		

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

**MINNESOTA QUILTERS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organizational purpose and nature of activities:***

Minnesota Quilters, Inc. was founded in 1978 and was formed to unite quilters and quilt enthusiasts throughout the state of Minnesota and elsewhere. Its activities are as follows:

Annual Show and Convention (Show) – This annual show draws attention from quilt enthusiasts across the country. The show is open to both members and nonmembers. Individuals can register for lectures and workshops, view and participate in judged and non-judged quilt exhibits, and enjoy special exhibits from around the country as well as a merchandise mall.

Monthly Meetings – Two meetings per month which are open to members and guests, and include demonstrations and lectures, programs/workshops, announcements and “show and tell.”

Lecture Series – Special lectures and programs/workshops are incorporated quarterly into regular monthly meetings and feature national or international quilters or speakers about quilting.

Fall Getaway – The fall getaway consists of a weekend retreat for workshops, fellowship and the freedom to quilt uninterrupted.

Minnesota Quilt Project (MQP) – The purpose of the Minnesota Quilt Project is to identify and document quilts, both privately and public held, that have a Minnesota connection. The goals of MQP are to preserve images and information that MQP has collected, to make the collection information available to interested parties, and to arrange for publication and display of quilts that have been documented.

Teaching Others to Quilt – Initially focused on teaching Girl Scout troop members to quilt, this project has been expanded to include other groups of young people. Four day long events each year are held in various locations statewide. The (mostly) girls are taught to make quilts which are then donated to local charities.

***Basis of presentation:***

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *FASB ASC 958*. Under *FASB ASC 958, Financial Statements of Not-for-Profit Organizations*, Minnesota Quilters, Inc. is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor restrictions.

***Cash and cash equivalents:***

For purposes of the statement of cash flows, Minnesota Quilters, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MINNESOTA QUILTERS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***Furniture and equipment:***

All acquisitions of furniture and equipment in excess of \$750 are capitalized. Furniture and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives varying from two to seven years. Depreciation for the years ended September 30, 2009 and 2008 was \$1,628 and \$2,029, respectively.

***Contributions:***

Contributions are recognized when the donor makes a promise to give to Minnesota Quilters, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

***Revenue recognition:***

Minnesota Quilters, Inc.'s revenues consist primarily of Show admission, class and registration fees, membership dues, and sponsor contributions and vendor revenues from Minnesota members and companies. Membership dues are recognized as revenue the month enrolled.

Income from future quilting shows is deferred and recognized in the show year to which the income related.

***Donated services:***

Donated services are recognized as contributions in accordance with *FASB ASC 605, Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Minnesota Quilters, Inc.

The majority of program planning and coordination and fundraising services are provided by volunteers. These services are not recognized as contributions in the financial statements since the recognition criteria under *FASB ASC 605* were not met. Minnesota Quilters, Inc. received approximately 15,400 and 14,300 volunteer hours in 2009 and 2008, valued at approximately \$216,000 and \$200,000, respectively.

***Non-cash donations:***

Non cash donations are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization received donated prizes in 2009 and 2008 valued at \$32,411 and \$6,795, respectively.

**MINNESOTA QUILTERS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***Functional allocation of expenses:***

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The fundraising and membership development costs are immaterial and are included in the general administrative expenses.

***Income taxes:***

Minnesota Quilters, Inc. is organized and operated for purposes that qualify it for exemption from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Other income of the Organization that is not specifically derived within the exempt purposes is potentially subject to income taxes. No provision for income taxes is required to be made in these financial statements.

In July 2006, *FASB ACS 740, Uncertainty of Income Taxes*, was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Organization has elected to defer application of *FASB ASC 740* as allowable.

***Advertising expenses:***

Advertising is expensed when the advertising first incurs. Advertising expense was \$10,751 and \$10,459 for the years ended September 30, 2009 and 2008, respectively.

***Net asset classifications:***

Permanently restricted net assets include contributions which donors have specified must be maintained in perpetuity. In accordance with donor restrictions, the related income is recorded as either temporarily restricted or unrestricted net income.

Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes or time periods.

Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for Minnesota Quilters, Inc. to utilize in any of its programs or supporting services.

At September 30, 2009, Minnesota Quilters, Inc. has only unrestricted net assets.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***Estimates:***

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

**NOTE 2. OPERATING LEASES**

Minnesota Quilters, Inc. executed a lease for the office space in 2006. The term of the lease is from October 1, 2006 to September 30, 2011. Monthly rent payments are approximately \$1,446 for the first year and increase 3% every year until the end of the lease. Total office lease expense for the year ended September 30, 2009 and 2008 was \$18,227 and \$17,697, respectively, including utility and other expenses.

Minnesota Quilters, Inc. also leases equipment under a lease that is being accounted for as an operating lease. The lease requires monthly payments of \$142 through December 2011. Rent charged to operations was \$1,832 and \$1,827 in 2009 and 2008, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of September 30, 2009 are:

**YEARS ENDING SEPTEMBER 30,**

2010	\$ 18,816
2011	19,329
2012	426
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<b><i>Total minimum lease payments</i></b>	<b>\$ 38,571</b>

**NOTE 3. COMMITMENTS**

Minnesota Quilters, Inc. has entered into non-cancelable agreements for space rentals related to future annual conferences. The cancellation clauses call for payments to be made for base rent plus all costs incurred to the date of cancellation. The maximum amount payable for commitments related to the future three conferences being held after September 30, 2009 is approximately \$111,400.

**NOTE 4. CONCENTRATIONS OF CREDIT RISK**

Minnesota Quilters, Inc. maintains its cash balances in two financial institutions. At times amounts may exceed FDIC insured limits.

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*NOTES TO FINANCIAL STATEMENTS*

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**NOTE 5. SUBSEQUENT EVENT**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through December 15, 2009, the date the financial statements were available to be issued.