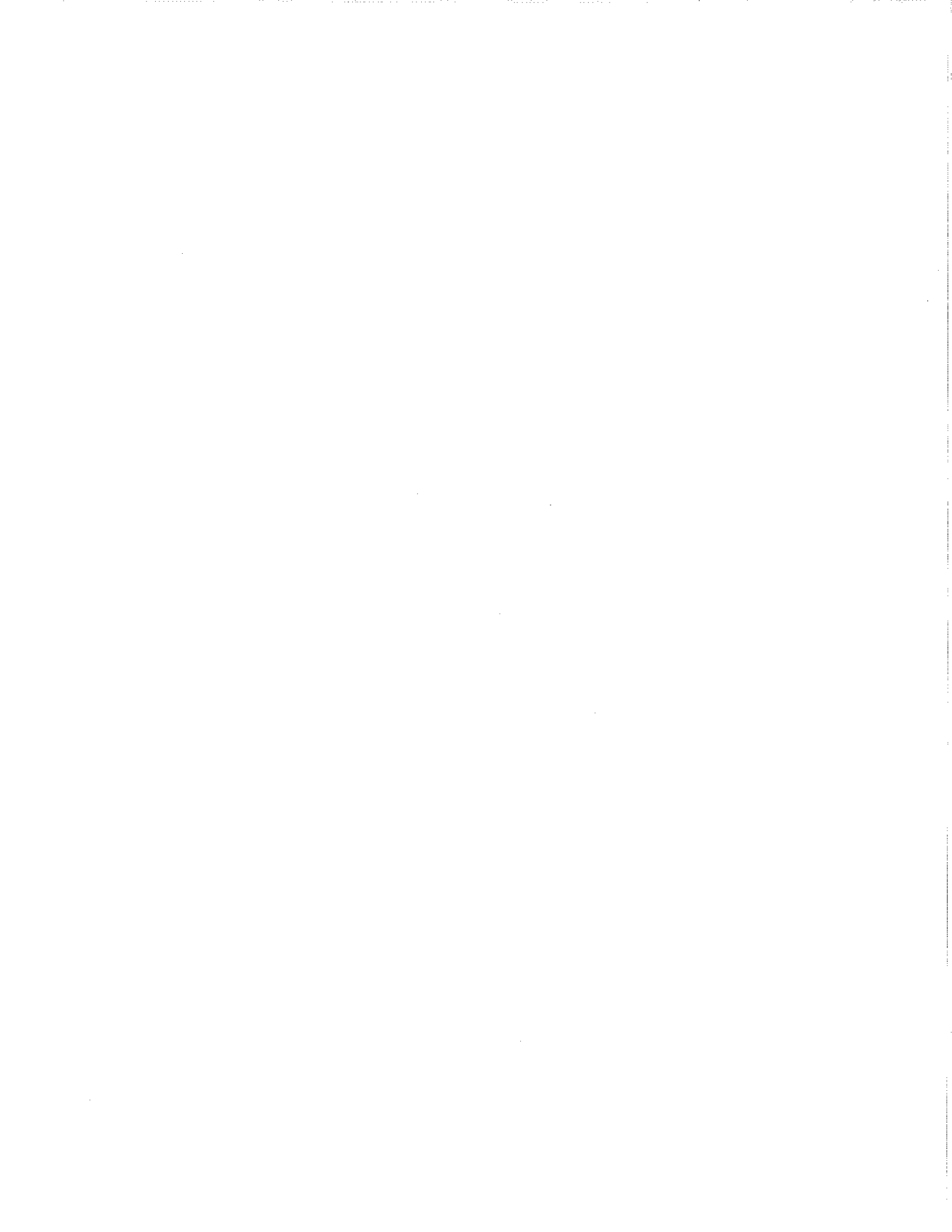


**Ampersand Families**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2012 and 2011

*Carpenter Evert*  
Certified Public Accountants



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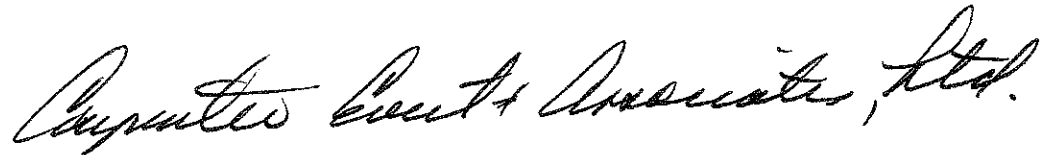
### Independent Auditor's Report

Board of Directors  
Ampersand Families  
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Ampersand Families as of June 30, 2012 and 2011, and the related statement 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 Ampersand Families as of June 30, 2012 and 2011, 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  
November 7, 2012

AMPERSAND FAMILIES  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions	\$ 92,800	\$ 35,917	\$ 128,717	\$ 80,229	\$ 18,000	\$ 98,229
In-kind Contributions	916	-	916	2,536	-	2,536
Government Grants	248,632	-	248,632	232,948	-	232,948
Program Service Fees	1,000	-	1,000	75	-	75
Special Events	1,083	-	1,083	878	-	878
Investment Income	207	-	207	400	-	400
Miscellaneous Income	2,414	-	2,414	1,865	-	1,865
(Loss) on Disposal of Assets	(8,685)	-	(8,685)	-	-	-
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	18,000	(18,000)	-	28,848	(28,848)	-
Total Support and Revenue	356,367	17,917	374,284	347,779	(10,848)	336,931
Expense:						
Program Services	277,638	-	277,638	333,866	-	333,866
Support Services:						
Management and General	38,834	-	38,834	52,002	-	52,002
Fundraising	21,317	-	21,317	16,823	-	16,823
Total Support Services	60,151	-	60,151	68,825	-	68,825
Total Expense	337,789	-	337,789	402,691	-	402,691
Change in Net Assets	18,578	17,917	36,495	(54,912)	(10,848)	(65,760)
Net Assets - Unrestricted - Beginning of Year	165,024	18,000	183,024	219,936	28,848	248,784
Net Assets - Unrestricted - End of Year	\$ 183,602	\$ 35,917	\$ 219,519	\$ 165,024	\$ 18,000	\$ 183,024

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

AMPERSAND FAMILIES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 175,918	\$ 100,383
Accounts Receivable	55,579	73,321
Pledges and Grants Receivable	1,365	337
Prepaid Expenses	12,263	27,443
Total Current Assets	<u>245,125</u>	<u>201,484</u>
Property and Equipment - Net	<u>2,456</u>	<u>16,449</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 247,581</u></b>	<b><u>\$ 217,933</u></b>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current Liabilities:		
Accounts Payable	\$ 2,877	\$ 1,159
Accrued Salaries and Vacation	18,805	27,902
Accrued Unemployment	6,380	5,848
Total Current Liabilities	<u>28,062</u>	<u>34,909</u>
Net Assets:		
Unrestricted	183,602	165,024
Temporarily Restricted	35,917	18,000
Total Net Assets	<u>219,519</u>	<u>183,024</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 247,581</u></b>	<b><u>\$ 217,933</u></b>

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

EXHIBIT C

AMPERSAND FAMILIES  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2012 WITH  
COMPARATIVE TOTALS FOR 2011

	2012				2011	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 172,016	\$ 5,238	\$ 15,747	\$ 20,985	\$ 193,001	\$ 220,035
Employee Benefits	21,851	886	1,931	2,817	24,668	24,198
Payroll Taxes	15,370	551	1,367	1,918	17,288	21,818
Total Personnel Costs	209,237	6,675	19,045	25,720	234,957	266,051
Professional Fees	5,816	26,499	81	26,580	32,396	41,749
Occupancy	18,145	575	382	957	19,102	29,400
Transportation	16,354	41	57	98	16,452	14,355
Telecommunication	7,248	187	125	312	7,560	5,108
Insurance	4,968	1,439	131	1,570	6,538	6,659
Program Expense	4,193	-	-	-	4,193	20,775
Office Expense	3,027	110	785	895	3,922	2,928
Miscellaneous	2,017	1,004	5	1,009	3,026	1,297
Staff and Volunteer Development	1,638	1,260	7	1,267	2,905	2,085
In-Kind Expense	-	650	266	916	916	2,536
Membership Dues	264	250	-	250	514	779
Depreciation	4,731	144	433	577	5,308	8,969
Total Expense	\$ 277,638	\$ 38,834	\$ 21,317	\$ 60,151	\$ 337,789	\$ 402,691

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

EXHIBIT D

AMPERSAND FAMILIES  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2011

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Salaries	\$ 197,488	\$ 12,477	\$ 10,070	\$ 22,547	\$ 220,035
Employee Benefits	21,718	1,373	1,107	2,480	24,198
Payroll Taxes	19,582	1,237	999	2,236	21,818
Total Personnel Costs	238,788	15,087	12,176	27,263	266,051
Professional Fees	9,691	31,033	1,025	32,058	41,749
Occupancy	24,990	2,940	1,470	4,410	29,400
Transportation	14,322	21	12	33	14,355
Telecommunication	4,489	416	203	619	5,108
Insurance	5,464	916	279	1,195	6,659
Program Expense	20,720	1	54	55	20,775
Office Expense	1,919	196	813	1,009	2,928
Miscellaneous	979	306	12	318	1,297
Staff and Volunteer Development	1,474	383	228	611	2,085
In-Kind Expense	2,276	144	116	260	2,536
Membership Dues	704	50	25	75	779
Depreciation	8,050	509	410	919	8,969
Total Expense	\$ 333,866	\$ 52,002	\$ 16,823	\$ 68,825	\$ 402,691

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



AMPERSAND FAMILIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 36,495	\$ (65,760)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,308	8,969
Loss on Disposal of Assets	8,685	-
Increase (Decrease) in Liabilities:		
Accounts Payable	1,718	(2,092)
Accrued Salaries and Vacation	(9,097)	11,948
Accrued Unemployment	532	3,121
Decrease (Increase) in Assets:		
Accounts Receivable	17,742	(25,215)
Pledges and Grants Receivable	(1,028)	676
Prepaid Expenses	15,180	(17,055)
Total Adjustments	<u>39,040</u>	<u>(19,648)</u>
Net Cash Provided (Used) by Operating Activities	75,535	(85,408)
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
None	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	75,535	(85,408)
Cash and Cash Equivalents - Beginning of Year	<u>100,383</u>	<u>185,791</u>
Cash and Cash Equivalents - End of Year	<u>\$ 175,918</u>	<u>\$ 100,383</u>

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

AMPERSAND FAMILIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

1. Summary of Significant Accounting Policies

Organizational Purpose

Ampersand Families (the Organization) is a Minnesota nonprofit corporation. The purpose of the Organization is to recruit and support permanent families for older youth, and to champion practices in adoption and permanency that restore belonging, dignity and hope.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Ampersand Families, 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. At June 30, 2012 and 2011, no board designated funds were held.

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

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables 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 the Organization does not charge interest on accounts receivable balances. No allowance for doubtful accounts has been provided, as accounts receivable are considered collectable.

AMPERSAND FAMILIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All leasehold improvements and equipment in excess of \$1,500 are capitalized at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life.

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 (except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted).

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.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Ampersand Families will record such disallowance at the time the final assessment is made.

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.

AMPERSAND FAMILIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

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 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

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 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.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through November 7, 2012, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

Ampersand Families provides services throughout Minnesota. The amounts due for accounts, grants and contributions receivable are from local residents, governments or institutions.

Ampersand Families received 66% and 69% of total funding from the State of Minnesota in the years ended June 30, 2012 and 2011, respectively. A significant reduction in this level of support, if it were to occur, could have an adverse effect on Ampersand Families' programs and activities.

AMPERSAND FAMILIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

3. Property and Equipment

The Organization owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2012</u>	<u>2011</u>	
Leasehold Improvements	\$ -	\$ 7,580	10 years
Furniture and Equipment	12,640	22,475	3-10 years
Computer Equipment	<u>10,947</u>	<u>10,947</u>	3-5 years
	23,587	41,002	
Less Accumulated Depreciation	<u>21,131</u>	<u>24,553</u>	
	<u>\$ 2,456</u>	<u>\$ 16,449</u>	

Depreciation expense of \$5,308 and \$8,969 was recorded for the years ended June 30, 2012 and 2011, respectively.

The Organization had made certain leasehold improvements in their previous office space. Upon termination of the lease as of September 30, 2011, the Organization disposed all of the leasehold improvements as well as some of the old furniture and equipment. The disposed leasehold improvements, furniture and equipment total \$17,415 with an accumulated depreciation of \$8,730 before the disposal, resulting in a loss of \$8,685 on disposal of assets as of June 30, 2012.

4. In-kind Contributions

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

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Printing	\$ 916	\$ -
Furniture and Equipment	-	2,536
	<u>\$ 916</u>	<u>\$ 2,536</u>

5. Management Services Agreement

Ampersand Families contracts for management services with MACC CommonWealth, Inc. Management fee expense of \$20,758 and \$26,441 was reported by the Organization for the years ended June 30, 2012 and 2011 respectively.

AMPERSAND FAMILIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

6. Leased Facilities

Rental commitments under noncancelable leases for office space in effect at June 30, 2012 totaled \$3,750. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2013	<u>\$ 3,750</u>

Rental expense was \$18,600 and \$29,400 for the years ended June 30, 2012 and 2011, respectively.

7. Conditional Promise-to-Give

Ampersand Families received a 25,000 conditional grant in the year ending June 30, 2011 requiring a two-to-one match (\$2 of contributions for every \$1 of conditional contributions). This condition was met and \$25,000 was received and recorded as contribution revenue in the year ended June 30, 2011.

8. Unemployment Compensation

Ampersand Families has elected to self-insure unemployment tax claims and has accrued an amount for future liabilities. Accrued unemployment liability was \$6,380 and \$5,848 at June 30, 2012 and 2011, respectively.

9. Temporarily Restricted Net Assets

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

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Subsequent Year Operations	\$ 25,417	\$ 18,000
MN Heart Gallery Project	10,500	-
	<u>\$ 35,917</u>	<u>\$ 18,000</u>