TEXTILE CENTER OF MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

FAIRCHILD MADDOX + LEONIDAS, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

TEXTILE CENTER OF MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Textile Center of Minnesota

We have audited the accompanying financial statements of Textile Center of Minnesota (a nonprofit organization), which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Textile Center of Minnesota as of March 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fairchild Maddox + Leonidas Ltd.

Certified Public Accountants

Minneapolis, Minnesota
August 6, 2014

TEXTILE CENTER OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

March 31, 2014

ASSETS		
Current Assets		
Cash & cash equivalents	$	**78,372**
Accounts receivable		**7,615**
Grants receivable		**44,705**
Inventory		**7,292**
Prepaid expenses		**6,756**
Total Current Assets		**144,740**
Fixed Assets		
Land		**106,700**
Building and improvements		**1,684,986**
Computers and software		**29,336**
Furniture, fixtures and equipment		**136,936**
Library collection		**21,167**
		1,979,125
Less accumulated depreciation and amortization		**(745,063)**
Total Fixed Assets		**1,234,062**
Other Assets		
Investments		**504,248**
Total Other Assets		**504,248**
TOTAL ASSETS	$	**1,883,050**

See independent auditor's report and accompanying notes.

LIABILITIES AND NET ASSETS

Current Liabilities		
	Accounts payable	$ 12,902
	Accrued wages and benefits	46,553
	Accrued liabilities	6,283
	Deferred revenue	23,667
	Current portion of long-term debt	4,000
	Total Current Liabilities	93,405
Long-Term Debt		
	Building loan	12,000
	Total Long-Term Debt	12,000
Net Assets		
	Unrestricted:	
	General operations	(8,959)
	Property and equipment	1,234,062
	Board restricted - property and equipment	272,625
	Total unrestricted	1,497,728
	Temporarily restricted:	
	Endowment fund	84,557
	Other	13,000
	Total temporarily restricted	97,557
	Permanently restricted:	
	Endowment fund	182,360
	Total Net Assets	1,777,645
	TOTAL LIABILITIES AND NET ASSETS	**$ 1,883,050**

TEXTILE CENTER OF MINNESOTA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support				
Grants and donations	$ 102,479	$ 39,800	$ 3,035	$ 145,314
Government support	20,773	34,996	-	55,769
In-kind contributions	622	-	-	622
Total Support	123,874	74,796	3,035	201,705
Program Revenue				
Class fees and other education revenue	259,644	-	-	259,644
Rental income	43,972	-	-	43,972
Memberships	46,760	-	-	46,760
Event	28,245	-	-	28,245
Less: Direct expenses	(3,934)			(3,934)
Other Income	2,450	-	-	2,450
Net Program Revenue	377,137	-	-	377,137
Net Assets Released From Restrictions	234,651	(234,651)	-	-
TOTAL SUPPORT AND REVENUE	735,662	(159,855)	3,035	578,842
Programs	690,639	-	-	690,639
Management and general	126,420	-	-	126,420
Fundraising and development	62,124	-	-	62,124
TOTAL EXPENSES	879,183	-	-	879,183
Change in Net Assets from Operations	(143,521)	(159,855)	3,035	(300,341)
Other Changes in Net Assets:				
Investment Income	10,670	39,099	-	49,769
CHANGE IN NET ASSETS	(132,851)	(120,756)	3,035	(250,572)
Net assets, March 31, 2013	1,630,579	218,313	179,325	2,028,217
NET ASSETS, MARCH 31, 2014	$ 1,497,728	$ 97,557	$ 182,360	$ 1,777,645

See independent auditor's report and accompanying notes.

TEXTILE CENTER OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2014

	Program	Management and General	Fundraising	Total
Salaries	$ 339,030	$ 79,412	$ 29,396	$ 447,838
Payroll taxes	27,082	4,292	2,348	33,722
Employee benefits	10,022	1,588	869	12,479
Professional services	6,591	13,988	18,429	39,008
Payroll processing fees	1,671	265	145	2,081
Cost of goods sold	80,875	-	-	80,875
Program activities and supplies	69,284	118	-	69,402
Facilities, utilities, maintenance, cleaning	43,786	7,232	3,908	54,926
Professional development,dues, subscriptions	7,507	1,690	651	9,848
Mileage, transport expense	4,376	20	-	4,396
Marketing and printing	15,298	3,003	3,571	21,872
Office and other supplies	4,419	700	383	5,502
Postage	7,904	2,523	1,483	11,910
Insurance	7,707	1,222	668	9,597
Depreciation	61,943	1,264	-	63,207
Tech support, website expenses	1,900	301	165	2,366
Credit card, bank and filing fees	-	8,103	-	8,103
Miscellaneous	1,244	699	108	2,051
TOTAL EXPENSES	$ 690,639	$ 126,420	$ 62,124	$ 879,183

See independent auditor's report and accompanying notes.

TEXTILE CENTER OF MINNESOTA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (250,572)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	63,207
Endowment contributions	(3,035)
Unrealized (gain) on investments	(36,467)
In-kind investment donations	(14,342)
Reclassified former asset	858
Forgiven debt on loan	(4,000)
(Increase) decrease in:	
Receivables	32,463
Inventory	(1,018)
Prepaid expenses	1,191
Increase (decrease) in:	
Accounts payable	1,719
Accrued wages and benefits	30,160
Deferred revenue	3,141
Accrued liabilities	3,576
NET CASH FLOWS (USED) BY OPERATING ACTIVITIES	(173,119)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(5,496)
Purchases of investments	(7,406)
Proceeds from sales of investments	59,191
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	46,289
CASH FLOWS FROM FINANCING ACTIVITIES	
Additions to Endowment Fund	3,035
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	3,035
NET CHANGE IN CASH & CASH EQUIVALENTS	(123,795)
CASH & CASH EQUIVALENTS, MARCH 31, 2013	202,167
CASH & CASH EQUIVALENTS, MARCH 31, 2014	$ 78,372

See independent auditor's report and accompanying notes.

TEXTILE CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Textile Center of Minnesota (the Organization) is a 501(c)(3) nonprofit corporation dedicated to honoring textile traditions and promoting excellence and innovation in fiber art. The Organization is a regionally-based national center for fiber art and its facility serves as a central place for artists, guilds, collectors, youth and adults to gather, meet, study and participate in fiber art exhibition and education programs. It is the only facility in the Midwest that represents all fiber art forms. Fiber art is broadly defined to include weaving, quilting, knitting, sewing, dyeing, needlework, lace making, basketry and beading. The Organization receives a majority of its revenue through program services and contributions from individuals and foundations. The Organization's programs advance the development of fiber artists, support a vibrant fiber art community, and provide public access to excellent fiber art programs. The Organization's programs are as follows:

Education – The Organization is a primary educational and networking resource for fiber artists. Artists advance their technical and creative skill, take artistic risks, and explore new avenues of creative work through the Organization's classes, seminars, and mentoring and project grant programs. Classes are offered to adults at all skill levels from beginner to master. Many focus on a wide variety of techniques and take advantage of the Organization's dye lab. The Organization's dye lab provides artists and students a safe and professionally-equipped resource for undertaking ambitious dye projects.
Technology-based workshops help artists utilize equipment, applications, and online resources to create and sell fiber artwork. Other classes focus on technique and design in areas including surface design, felting, sewing, needlework and embroidery, quilting, 3-D, and mixed media. More than 600 adults participated in fiber art workshops and classes on-site during the year. Emerging artists advanced professionally through the Jerome Foundation Fiber Artist Project Grant program. The Organization's library, the largest of its kind in the country, holds more than 26,000 books, periodicals, and media materials, and was utilized by over 3,000 patrons.

Exhibitions – Exhibitions in the Organization's galleries and off-site, present exceptional work by fiber artists from the region and around the world and showcase both mastery in technique and cutting-edge innovations in fiber art. The Joan Mondale Gallery displays juried, invitational, and member exhibitions. The Community and Library Galleries feature the work of individual, organizational, and textile guild members of the Organization. Off-site exhibitions, such as the *Made Here* program in Block E on Hennepin Avenue in Minneapolis, provide new opportunities for a broad audience to view remarkable fiber art. The Organization presented 23 exhibitions of fiber artwork by nearly 400 artists; from the annual *A Common Thread*, an exhibition displaying all varieties of work by the Organization members, to *Dreams and Memories: Contemporary Tapestries by Aino Kajaniemi*, an exhibition held in conjunction with the national FinnFest 2014 and featuring a talk by the artist from Finland. These exhibitions exposed the general public to excellence in fiber art. Specializing in extraordinary fiber art, the Organization's shop is the only retail store of its kind in the region. Artists are selected through a jury process and receive 60% of consigned sales. The shop presented and sold fiber artwork by 130 artists and generated over $70,000 in payments to artists.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Outreach – The Organization is developing the next generation of fiber artists through its residencies, summer camps, and outreach services to youth. Fiber art residencies and workshops were conducted in partnership with nearly 50 schools, libraries, social service, and cultural organizations across the region. The Organization served more than 1600 youth through: a field trip program, *Feed the Fibers*; fiber art summer camps; *Live Fibers,* a hands-on event geared toward college students; and residencies and workshops. 750 adults participated in fiber art classes in libraries and community centers throughout Minnesota. Fiber art demonstrations, exhibits, and other hands-on activities served thousands of Minnesotans attending regional art fairs, the Minnesota State Fair, and other large public events. A short form video produced by Twin Cities Public Television and screened on their statewide channel educated thousands more about the Organization and fiber art.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*). Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets
Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets
Temporarily restricted net assets consist of donor-restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets
Permanently restricted net assets consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions, legacies and grants are recorded when pledged. Funds are considered to be available for unrestricted funds unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets or permanently restricted net assets in the fiscal year in which the contributions are recognized. When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plan for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate funding of such improvements and acquisitions.

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.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash, accounts receivable, prepaid expenses, accounts payable, all accrued liabilities, deferred revenues and a long-term liability. These financial instruments are carried at cost, which approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents are considered to have a maturity of three months or less.

Investments

Investments in certificates of deposits, marketable securities and debt securities are valued at their fair values in the statement of financial position on a recurring basis. Unrealized gains and losses are included in the change in net assets.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectible.

Inventory

Inventory consists of books, notions, dyes and paints used in the Organization's various programs. Inventory is valued at cost, determined on a weighted-average basis.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $750. Lesser amounts are expensed. Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The buildings, building improvements, furniture, fixtures, equipment and computers are being depreciated using the straight-line method over the useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred; expenditures for betterments and major property renewals are capitalized, at cost, in the property accounts.

Estimated useful lives:

Building and Improvements	20 - 35 years
Furniture and Equipment	5 - 10 years

Depreciation expense of $63,207 was recorded for the year ended March 31, 2014.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Library Collectibles

The library collectibles represent rare, valuable books that are held in the library reserve. Donations of library collectibles are recorded at their estimated fair value at the date of donation. No provision has been made for depreciation, as library collectibles retain their values. The Organization has recorded $21,167 in library collectibles for the year ended March 31, 2014.

Functional Allocation of Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Taxes

The Organization is a tax-exempt Minnesota corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is not taxed on income derived from its exempt functions.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2011, 2012, and 2013. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination, Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended March 31, 2014.

Advertising Costs

The Organization expenses all advertising costs as they are incurred. Total advertising costs were $3,184 for the year ended March 31, 2014.

NOTE 2. FINANCIAL INSTRUMENTS

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services are from individuals, or their third-party payers, substantially all of which are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

NOTE 3. INVESTMENTS

The Organization held the following investments as of March 31, 2014:

	Cost	Fair Value
Marketable equity securities	$ 183,393	$ 259,061
Marketable debt securities	39,734	45,210
Certificates of deposit	198,827	199,977
	$ 421,954	$ 504,248

Components of Investment Income in the year ending March 31, 2014 were as follows:

Interest and dividend income	$ 13,261
Unrealized gain	36,467
Realized gain	41
	$ 49,769

NOTE 4. FAIR VALUE

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted price in active markets for identical investments.
Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at March 31, 2014:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	$ 259,061	$ -	$ -	$ 259,061
Marketable debt securities	45,210	-	-	$ 45,210
Certificates of deposit	199,977	-	-	$ 199,977
Total	$ 504,248	$ -	$ -	$ 504,248

NOTE 5. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2014:

Zero interest mortgage note payable to Housing and Redevelopment Authority of the City of St. Paul, MN dated September 4, 2012.	$16,000
The mortgage is to be forgiven in five years from the date of the loan as long as designated property continues to operate the business known as Textile Center of Minnesota. The provisions for credit and forgiveness of debt shall apply in periodic installments.	
Less amounts forgiven within one year	(4,000)
Total long-term debt	$12,000

Future scheduled forgiveness on long-term debt is as follows:

Calendar	2014	$	4,000
	2015		4,000
	2016		4,000
	2017		4,000
	Total	$	16,000

NOTE 6. LINE OF CREDIT

The Organization has a revolving line of credit with Park Midway Bank that was established in April 2008. The line of credit is for $75,000 with simple interest at a rate of 6.0%. There was no activity for the year ended March 31, 2014.

NOTE 7. LEASES

The Organization leases parking spots under two operating leases; one lease is a month to month with a three month termination notification and the other lease expires April 30, 2015. Lease expense charges to operations during the year ended March 31, 2014 was $2,748.

The following is a schedule of the future minimum operating lease payments as of March 31, 2014.

2015	$	4,400
2016		400
Total minimum payments	$	4,800

NOTE 8. RETIREMENT PLAN

The Organization sponsors a 403(b) deferral-only plan for all employees who have met the eligibility requirements. The plan allows employees to contribute pre-tax compensation to the plan, subject to the limitations established by the Internal Revenue Service. The Organization does not match any employee contributions.

NOTE 9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets arise from investments in perpetuity. The permanently restricted net assets restricted to donor-intended purposes as of March 31, 2014:

Joan Mondale Gallery	$ 182,360

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were $97,557 as of March 31, 2014. Temporarily restricted net assets released were $234,651 as of March 31, 2014.

NOTE 11. IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions as of March 31, 2014 were $622.

NOTE 12. PRIOR PERIOD ADJUSTMENTS

During 2014, management discovered financial statement errors that caused a $20,786 overstatement of March 31, 2013 previously reported net assets.

The errors primarily related to an understatement of deferred revenue for classroom fees and rental income. In addition, management corrected certain other immaterial errors related to artists' fees payable and donations receivable. All the errors affected unrestricted net assets.

The following summarizes the prior period adjustments referred to above:

Balance at March 31, 2013 as previously reported	$ 2,049,003
Prior period adjustments for:	
Increase liability for deferred revenue	(20,526)
Increase accrued expenses	(2,707)
Increase to accounts receivable, net	2,447
Total prior period adjustment – March 31, 2013	(20,786)
Balance at March 31, 2013, as adjusted	$ 2,028,217

NOTE 13. ENDOWMENT FUND BALANCE CORRECTION

The audit report for the year ended March 31, 2013 incorrectly included $36,239 of temporarily restricted funds in the temporarily restricted endowment fund balance. The funds were temporarily restricted but were not part of the endowment fund. Therefore, the beginning balance of the endowment net assets has been reduced by $36,239.

NOTE 14. ENDOWMENT FUND

The Organization's endowment consists of funds established for the Joan Mondale Gallery. Its endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization defines permanently restricted assets as:

(a) The original value of gifts donated to the permanent endowment.
(b) The original value of subsequent gifts to the permanent endowment.
(c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Investment Objectives and Strategies

The Organization has adopted an investment policy to provide guidelines for investing in a manner that is intended to maintain the long term preservations of the principal, and all future contributions to maximize return within reasonable and prudent level of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

NOTE 14. ENDOWMENT FUND (Continued)

Spending Policy

The Organization has a policy of appropriating, for distribution each year, no less than a fixed percent of the average quarterly value based on the prior 20 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. At no time will the distributions reduce the value of the endowment below donor-restricted contributions.

Endowment net asset composition and changes in endowment net assets for the year ended March 31 are as follows:

Endowment Net Asset Composition

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor Restricted	$ -	$ 84,557	$ 182,360	$ 266,917

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
March 31, 2013, as revised	$ -	$ 65,458	$ 179,325	$ 244,783
Contributions	-	-	3,035	3,035
Investment Return:				
Investment Income	-	6,103	-	6,103
Net Appreciation	-	32,996	-	32,996
Total Investment Return	-	39,099	-	39,099
Appropriation of Endowment Assets for Expenditure	-	(20,000)	-	(20,000)
March 31, 2014	$ -	$ 84,557	$ 182,360	$ 266,917

NOTE 15. SUBSEQUENT EVENTS

The Organization has evaluated the effect that subsequent events would have on the financial statements through August 6, 2014, which is the date the financial statements were available to be issued.