

***TEXTILE CENTER OF MINNESOTA
MINNEAPOLIS, MINNESOTA***

***FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015***

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Textile Center of Minnesota
Minneapolis, 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, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Textile Center of Minnesota as of March 31, 2014, were audited by other auditors whose report dated August 6, 2014, expressed an unmodified opinion on those statements.

Shidell Mair & Richardson PLLP

July 31, 2015
St. Paul, Minnesota

TEXTILE CENTER OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
MARCH 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 103,005	\$ 78,372
Receivables	98,159	52,320
Prepaid expenses	4,849	6,756
Inventory	9,532	7,292
Fixed assets net of depreciation	1,177,150	1,234,062
Marketable securities	<u>425,648</u>	<u>504,248</u>
Total assets	<u><u>1,818,343</u></u>	<u><u>1,883,050</u></u>
LIABILITIES		
Accounts payable	19,514	12,902
Building loan	12,000	16,000
Accrued wages and benefits	29,320	46,553
Accrued liabilities	665	6,283
Deferred revenue	<u>35,267</u>	<u>23,667</u>
Total liabilities	<u>96,766</u>	<u>105,405</u>
NET ASSETS		
Unrestricted		
General operations	149,423	263,666
Property, plant and equipment	<u>1,177,150</u>	<u>1,234,062</u>
Total unrestricted	<u>1,326,573</u>	<u>1,497,728</u>
Temporarily restricted	212,394	97,557
Permanently restricted	<u>182,610</u>	<u>182,360</u>
Total net assets	<u>1,721,577</u>	<u>1,777,645</u>
Total liabilities and net assets	<u><u>\$ 1,818,343</u></u>	<u><u>\$ 1,883,050</u></u>

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Support				
Grants and donations	\$ 193,588	\$ 121,354	\$ 250	\$ 315,192
Government support	4,000	49,464	-	53,464
In-kind contributions	-	-	-	-
Total support	<u>197,588</u>	<u>170,818</u>	<u>250</u>	<u>368,656</u>
Program revenue				
Education revenue	289,076	-	-	289,076
Rental income	44,682	-	-	44,682
Memberships	52,802	-	-	52,802
Event	4,624	-	-	4,624
Other income	603	-	-	603
Net program revenue	<u>391,787</u>	<u>-</u>	<u>-</u>	<u>391,787</u>
Net assets released from restrictions	55,981	(55,981)	-	-
Total support, revenue and net assets released from restrictions	<u>645,356</u>	<u>114,837</u>	<u>250</u>	<u>760,443</u>
Expenses:				
Programs	628,731	-	-	628,731
Management and general	126,380	-	-	126,380
Fundraising and development	97,432	-	-	97,432
Total expenses	<u>852,543</u>	<u>-</u>	<u>-</u>	<u>852,543</u>
Change in net assets from operations	(207,187)	114,837	250	(92,100)
Other changes in net assets				
Investment income	36,032	-	-	36,032
Change in net assets	(171,155)	114,837	250	(56,068)
NET ASSETS - Beginning of year	<u>1,497,728</u>	<u>97,557</u>	<u>182,360</u>	<u>1,777,645</u>
NET ASSETS - End of year	<u><u>\$ 1,326,573</u></u>	<u><u>\$ 212,394</u></u>	<u><u>\$ 182,610</u></u>	<u><u>\$ 1,721,577</u></u>

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>123,874</u>	<u>74,796</u>	<u>3,035</u>	<u>201,705</u>
Program revenue				
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	<u>377,137</u>	<u>-</u>	<u>-</u>	<u>377,137</u>
Net assets released from restrictions	234,651	(234,651)	-	-
Total support, revenue and net assets released from restrictions	<u>735,662</u>	<u>(159,855)</u>	<u>3,035</u>	<u>578,842</u>
Expenses:				
Programs	690,639	-	-	690,639
Management and general	126,420	-	-	126,420
Fundraising and development	62,124	-	-	62,124
Total expenses	<u>879,183</u>	<u>-</u>	<u>-</u>	<u>879,183</u>
Change in net assets from operations	(143,521)	(159,855)	3,035	(300,341)
Other changes in net assets				
Investment income	<u>10,670</u>	<u>39,099</u>	<u>-</u>	<u>49,769</u>
Change in net assets	(132,851)	(120,756)	3,035	(250,572)
NET ASSETS - Beginning of year	<u>1,630,579</u>	<u>218,313</u>	<u>179,325</u>	<u>2,028,217</u>
NET ASSETS - End of year	<u><u>\$ 1,497,728</u></u>	<u><u>\$ 97,557</u></u>	<u><u>\$ 182,360</u></u>	<u><u>\$ 1,777,645</u></u>

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015**

	Program	Management and General	Fundraising	Total Expenses
Salaries	\$ 295,028	\$ 43,533	\$ 45,083	\$ 383,644
Payroll taxes	25,205	3,719	3,852	32,776
Employee Benefits	3,216	475	491	4,182
Professional services	8,533	58,650	20,240	87,423
Payroll processing fees	1,423	210	217	1,850
Cost of goods sold	90,848	-	-	90,848
Program activities and supplies	70,367	-	-	70,367
Facilities, utilities, maintenance and cleaning	43,347	6,387	6,614	56,348
Professional development, dues and subscriptions	2,668	394	408	3,470
Mileage and transport expense	1,916	21	-	1,937
Marketing and printing	13,375	2,116	2,255	17,746
Office and other supplies	4,398	691	586	5,675
Postage	9,015	1,208	2,049	12,272
Insurance	6,320	932	966	8,218
Depreciation	45,036	6,645	6,882	58,563
Tech support and website expenses	6,268	925	958	8,151
Credit card, bank and filing fees	1,731	164	6,831	8,726
Miscellaneous	37	310	-	347
Total functional expenses	<u>\$ 628,731</u>	<u>\$ 126,380</u>	<u>\$ 97,432</u>	<u>\$ 852,543</u>

See Notes to the Financial Statements

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2014**

	Program	Management and General	Fundraising	Total Expenses
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 and cleaning	43,786	7,232	3,908	54,926
Professional development, dues and subscriptions	7,507	1,690	651	9,848
Mileage and 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 and 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 functional expenses	<u>\$ 690,639</u>	<u>\$ 126,420</u>	<u>\$ 62,124</u>	<u>\$ 879,183</u>

See Notes to the Financial Statements

**TEXTILE CENTER OF MINNESOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (56,068)	\$ (250,572)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	58,563	63,207
Endowment contributions	(250)	(3,035)
Unrealized and realized (gains) on investments	(24,479)	(36,467)
In-kind investment donations	(3,869)	(14,342)
Reclassified former asset	-	858
Forgiven debt on loan	(4,000)	(4,000)
(Increases) decreases in:		
Receivables	(45,839)	32,463
Inventory	(2,240)	(1,018)
Prepaid expenses	1,907	1,191
Increases (decreases) in:		
Accounts payable	6,612	1,719
Accrued wages and benefits	(17,233)	30,160
Deferred revenue	11,600	3,141
Accrued liabilities	(5,618)	3,576
Net cash provided by operating activities	<u>(80,914)</u>	<u>(173,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,651)	(5,496)
Purchases of investments	(9,222)	(7,406)
Proceed from sale of investments	<u>116,170</u>	<u>59,191</u>
Net cash provided by investing activities	<u>105,297</u>	<u>46,289</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to endowment fund	<u>250</u>	<u>3,035</u>
Net cash provided by financing activities	<u>250</u>	<u>3,035</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,633	(123,795)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>78,372</u>	<u>202,167</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 103,005</u></u>	<u><u>\$ 78,372</u></u>

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. 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:

Exhibition and Shows – The Organization presents exhibitions of high caliber artwork by artists from the region and around the world. These juried, invitational, and member exhibitions showcase both mastery in technique and cutting-edge innovations. Exhibitions are presented in the Joan Mondale Gallery, Community Gallery, Studio Gallery and Library Gallery. The touring exhibitions travel to venues across the country. Exhibitions are free and open to the public. The Textile Center Shop sells fiber artwork that is accepted through a jury process as well as fiber art books and supplies.

Education – The Organization provides fiber art education services to adults and youth at all skill levels. Workshops, classes, seminars and lectures cover a wide range of fiber art forms and techniques. In-depth learning experiences are provided through the mentor program and fiber artist grant program. The Organization sponsors a national symposia and conferences with presentations by renowned fiber artists from around the world. Residencies at schools, after-school workshops and summer camps for children are developing the next generation of fiber artists. Many education services focus on dye techniques and utilize the Textile Center Ellen Errede Wells Dye Lab. The Pat O'Connor Library houses the nation's largest circulating collection of fiber art books, periodicals and media materials, and individuals use this resource for research and inspiration. The library also hosts presentations by authors of recently published fiber art books. The Organization's website and its print and electronic communications keep the textile community informed and connected with information about programs, opportunities and events.

Community Outreach – The Organization delivers outreach services to youth, families and adults and promotes involvement in textiles. Special emphasis is placed on serving individuals with low income, new immigrants and youth and adults living with disabilities. The Organization conducts free fiber art programs across the region in partnership with social service agencies, schools, recreation centers, public libraries, community centers and public housing complexes. The Organization also participates in joint ventures with cultural organizations and businesses. Tours of gallery exhibitions and the facility are provided to groups of children or adults.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are described below:

a. Classes of Net Assets

The financial statements report amounts separately by classes of net assets:

- 1) Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.
- 2) 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.”
- 3) 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.

- b. 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.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- c. **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.
- d. **Cash and Cash Equivalents** – Cash and cash equivalents are considered to have a maturity of three months or less. At times, cash balances may be in excess of the FDIC insurance limits.
- e. **Investments** – Investments in certificates of deposits, marketable securities and debt securities are valued at their fair values in the statements of financial position on a recurring basis. Unrealized gains and losses are included in the change in net assets.
- f. **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.
- g. **Inventory** – Inventory consists of goods in the Textile Center Shop (i.e. books, notions, dyes supplies, kits) purchased directly from suppliers at wholesale. Inventory is valued at cost, determined on a weighted-average basis. It does not include consignment merchandise.
- h. **Donated Assets** – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.
- i. **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 years ended March 31, 2015 and 2014.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- j. **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. For 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 instruction 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 was \$58,563 and \$63,207 for the years ended March 31, 2015 and 2014, respectively.

- k. **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.
- l. **Deferred Revenue** – Deferred revenue results from the Organization recognizing class registrations, rental income, and gift cards sold in the period utilized. Accordingly, registration fees for workshops to be held in the subsequent fiscal year and gift cards outstanding are deferred.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- m. 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 records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Interest related to the unrecognized tax positions is recorded in interest expense and penalties in management and general expense. The Organization is subject to U.S. federal, state and local examinations by taxing authorities for the last three and one-half years.

- n. Advertising Expenses** – The Organization expenses all advertising costs as they are incurred. Total advertising costs were \$3,496 and \$3,184 for the years ended March 31, 2015 and 2014, respectively.
- o. Subsequent Events** – In preparing these financial statements, the Organization has evaluated events and transaction for potential recognition or disclosure through July 31, 2015, the date the financial statements were available to be issued.

NOTE 3. RECEIVABLES

Receivables consist of the following at March 31, 2015 and 2014:

	2015	2014
Grants receivable	\$ 88,893	\$ 44,705
Other receivables	9,266	7,615
Total receivables	<u>\$ 98,159</u>	<u>\$ 52,320</u>

Grants receivable with due dates extending beyond one year are discounted. At March 31, 2015 and 2014, the Organization's grant receivables were due within one year and were not discounted.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. LAND, BUILDINGS AND EQUIPMENT

The Organization owns the following as of March 31, 2015 and 2014:

	2015	2014
Land	\$ 106,700	\$ 106,700
Building and improvements	1,684,986	1,684,986
Furniture and equipment	136,936	136,936
Computers, software and peripherals	30,987	29,336
Library collectibles	21,167	21,167
Total	1,980,776	1,979,125
Less accumulated depreciation	(803,626)	(745,063)
Net	<u>\$1,177,150</u>	<u>\$ 1,234,062</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

Management has determined that all of its investments are categorized as Level 1 investments, and their fair value is measured on quoted market prices.

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS – (Continued)

Investments at March 31, 2015 and 2014 consisted of:

	2015		2014	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Marketable equity securities	\$ 168,761	\$ 277,557	\$ 183,393	\$ 259,061
Marketable debt securities	43,641	51,400	39,734	45,210
Certificates of deposit	96,000	96,691	198,827	199,977
	<u>\$ 308,402</u>	<u>\$ 425,648</u>	<u>\$ 421,954</u>	<u>\$ 504,248</u>

Components of investment income for the years ending March 31, 2015 and 2014 were as follows:

	2015	2014
Interest and dividend income	\$ 11,553	\$ 13,261
Unrealized gain	20,651	36,467
Realized gain	3,828	41
	<u>\$ 36,032</u>	<u>\$ 49,769</u>

NOTE 6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2015 and 2014:

	2015	2014
Zero interest mortgage note payable to Housing and Redevelopment Authority of the City of St. Paul, MN dated September 4, 2012	\$ 12,000	\$ 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 in one year	<u>(4,000)</u>	<u>(4,000)</u>
Total long-term debt, less current portion	<u>\$ 8,000</u>	<u>\$ 12,000</u>

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – (Continued)

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

2015	\$ 4,000
2016	4,000
2017	4,000
Total	<u>\$ 12,000</u>

NOTE 7. LINE OF CREDIT

The Organization has a revolving line of credit with Sunrise 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 years ended March 31, 2015 and 2014.

NOTE 8. LEASES

The Organization leases parking spots under two operating leases; one lease is a month to month with monthly rent of \$120 with a three month termination notification and the other lease with a monthly rent of \$400 expires April 30, 2016. Lease expense related to these leases for the years ended March 31, 2015 and 2014 were \$6,100 and \$2,748, respectively.

NOTE 9. 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 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets March 31, 2015 and 2014 consisted of the following:

	2015	2014
Endowment fund earnings	\$ 106,194	\$ 84,557
Artist support	18,200	13,000
Doug Limon exhibit	8,000	-
Time restricted	80,000	-
	<u>\$ 212,394</u>	<u>\$ 97,557</u>

**TEXTILE CENTER OF MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11. 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.

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.

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NOTE 11. ENDOWMENT FUND – (Continued)

Endowment net asset composition and changes in endowment net assets for the year ended March 31, 2015 are as follows:

Endowment Net Asset Composition				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	<u>\$ -</u>	<u>\$ 106,194</u>	<u>\$ 182,610</u>	<u>\$ 288,804</u>
Changes in Endowment Net Assets				
March 31, 2014	\$ -	\$ 84,557	\$ 182,360	\$ 266,917
Contributions	-	-	250	250
Investment Return:				
Investment income	-	9,892	-	9,892
Net appreciation	-	20,926	-	20,926
Total investment return	-	30,818	-	30,818
Appropriation of endowment				
Assets for expenditure	-	(9,181)	-	(9,181)
March 31, 2015	<u>\$ -</u>	<u>\$ 106,194</u>	<u>\$ 182,610</u>	<u>\$ 288,804</u>

Endowment net asset composition and changes in endowment net assets for the year ended March 31, 2014 are as follows:

Endowment Net Asset Composition				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	<u>\$ -</u>	<u>\$ 84,557</u>	<u>\$ 182,360</u>	<u>\$ 266,917</u>
Changes in Endowment Net Assets				
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	<u>\$ -</u>	<u>\$ 84,557</u>	<u>\$ 182,360</u>	<u>\$ 266,917</u>

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NOTE 12. PRIOR PERIOD ADJUSTMENTS

During 2014, management discovered financial statement errors that caused a \$20,768 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 adjustment:

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	<u>2,447</u>
 Total prior period adjustment - March 31, 2013	 <u>(20,786)</u>
 Balance at March 31, 2013 as adjusted	 <u><u>\$ 2,028,217</u></u>