

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

***FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016***

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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 statements of financial position as of March 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Shidell Mair & Richardson PLLP

August 8, 2016
St. Paul, Minnesota

TEXTILE CENTER OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
FOR YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 86,875	\$ 103,005
Receivables	198,177	98,159
Prepaid expenses	18,145	4,849
Inventory	11,660	9,532
Fixed assets net of depreciation	1,124,427	1,177,150
Marketable securities	383,005	425,648
	<u>\$ 1,822,289</u>	<u>\$ 1,818,343</u>
LIABILITIES		
Accounts payable	\$ 22,062	\$ 19,514
Building loan	8,000	12,000
Accrued wages and benefits	28,346	29,320
Accrued liabilities	1,459	665
Deferred revenue	60,254	35,267
	<u>120,121</u>	<u>96,766</u>
NET ASSETS		
Unrestricted		
General operations	113,754	149,423
Property, plant and equipment	1,124,427	1,177,150
Total unrestricted	<u>1,238,181</u>	<u>1,326,573</u>
Temporarily restricted	281,327	212,394
Permanently restricted	182,660	182,610
	<u>1,702,168</u>	<u>1,721,577</u>
Total net assets	<u>\$ 1,702,168</u>	<u>\$ 1,721,577</u>
Total liabilities and net assets	<u>\$ 1,822,289</u>	<u>\$ 1,818,343</u>

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Support				
Grants and donations	\$ 218,662	\$ 209,564	\$ 50	\$ 428,276
Government support	43,508	8,000	-	51,508
Total support	262,170	217,564	50	479,784
Program revenue				
Education revenue	380,205	-	-	380,205
Rental income	50,408	-	-	50,408
Memberships	52,880	-	-	52,880
Event	12,503	-	-	12,503
Less: Direct expenses	(6,732)	-	-	(6,732)
Other income	1,090	-	-	1,090
Net program revenue	490,354	-	-	490,354
Net assets released from restrictions	148,631	(148,631)	-	-
Total support, revenue and net assets released from restrictions	901,155	68,933	50	970,138
Expenses:				
Programs	748,731	-	-	748,731
Management and general	117,723	-	-	117,723
Fundraising and development	119,023	-	-	119,023
Total expenses	985,477	-	-	985,477
Change in net assets from operations	(84,322)	68,933	50	(15,339)
Other changes in net assets				
Investment income	(4,070)	-	-	(4,070)
Change in net assets	(88,392)	68,933	50	(19,409)
NET ASSETS - Beginning of year	1,326,573	212,394	182,610	1,721,577
NET ASSETS - End of year	\$ 1,238,181	\$ 281,327	\$ 182,660	\$ 1,702,168

**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
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>\$ 1,326,573</u>	<u>\$ 212,394</u>	<u>\$ 182,610</u>	<u>\$ 1,721,577</u>

**TEXTILE CENTER OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016**

	Program	Management and General	Fundraising	Total Expenses
Salaries	\$ 323,652	\$ 45,362	\$ 75,491	\$ 444,505
Payroll taxes	26,743	3,453	6,010	36,206
Employee benefits	4,151	582	968	5,701
Professional services	14,870	36,603	15,736	67,209
Payroll processing fees	1,765	247	412	2,424
Cost of goods sold	130,563	-	-	130,563
Program activities and supplies	92,718	-	-	92,718
Facilities, utilities, maintenance and cleaning	51,097	7,169	3,890	62,156
Professional development, dues and subscriptions	2,071	154	275	2,500
Mileage and transport expense	3,315	-	-	3,315
Marketing and printing	18,949	3,739	3,041	25,729
Office and other supplies	2,387	930	389	3,706
Postage	10,409	707	2,304	13,420
Insurance	6,496	951	475	7,922
Depreciation	39,869	5,588	9,299	54,756
Tech support and website expenses	10,264	1,940	715	12,918
Credit card, bank and filing fees	9,296	10,298	18	19,613
Miscellaneous	116	-	-	116
Total functional expenses	<u>\$ 748,731</u>	<u>\$ 117,723</u>	<u>\$ 119,023</u>	<u>\$ 985,477</u>

See Notes to the Financial Statements

**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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (19,409)	\$ (56,068)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	54,756	58,563
Endowment contributions	(50)	(250)
Unrealized and realized (gains) on investments	13,057	(24,479)
In-kind investment donations	(7,161)	(3,869)
Forgiven debt on loan	(4,000)	(4,000)
(Increases) decreases in:		
Receivables	(100,018)	(45,839)
Inventory	(2,128)	(2,240)
Prepaid expenses	(13,296)	1,907
Increases (decreases) in:		
Accounts payable	2,548	6,612
Accrued wages and benefits	(974)	(17,233)
Deferred revenue	24,987	11,600
Accrued liabilities	794	(5,618)
Net cash provided by operating activities	(50,894)	(80,914)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(2,033)	(1,651)
Purchases of investments	(7,560)	(9,222)
Proceeds from sale of investments	44,307	116,170
Net cash provided by investing activities	34,714	105,297
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to endowment fund	50	250
Net cash provided by financing activities	50	250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,130)	24,633
CASH AND CASH EQUIVALENTS - Beginning of year	103,005	78,372
CASH AND CASH EQUIVALENTS - End of year	\$ 86,875	\$ 103,005

**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, 2016 and 2015.
- j. 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 the 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)

- k. 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

Computers and Software 3-5 years

Depreciation expense was \$54,756 and \$58,563 for the years ended March 31, 2016 and 2015, respectively.

- l. 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.
- 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.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- n. **Advertising Expenses** – The Organization expenses all advertising costs as they are incurred. Total advertising costs were \$3,372 and \$3,496 for the years ended March 31, 2016 and 2015, respectively.
- o. **Subsequent Events** – In preparing these financial statements, the Organization has evaluated events and transaction for potential recognition or disclosure through August 8, 2016, the date the financial statements were available to be issued.

NOTE 3. RECEIVABLES

Receivables consist of the following at March 31, 2016 and 2015:

	2016	2015
Contributions receivable	\$ 195,039	\$ 88,893
Less allowance for uncollectible pledges	(7,900)	-
Less present value discounts	(1,000)	-
Net contributions receivable	186,139	88,893
Other receivables	12,038	9,266
Total receivables	\$ 198,177	\$ 98,159

Contributions receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate at March 31, 2016 was 1%.

The contributions receivable are related to a special fundraising initiative.

The contributions are to be received as follows:

Year ended March 31:	
2017	\$ 128,305
2018	33,742
2019	32,992
	\$ 195,039

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

NOTE 4. LAND, BUILDINGS AND EQUIPMENT

The Organization owns the following as of March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
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	33,020	30,987
Library collectibles	21,167	21,167
Total	<u>1,982,809</u>	<u>1,980,776</u>
Less accumulated depreciation	<u>(858,382)</u>	<u>(803,626)</u>
Net	<u>\$1,124,427</u>	<u>\$ 1,177,150</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, 2016 and 2015 consisted of:

	<u>2016</u>		<u>2015</u>	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Marketable equity securities	\$ 170,803	\$ 265,567	\$ 168,761	\$ 277,557
Marketable debt securities	45,696	51,223	43,641	51,400
Certificates of deposit	66,000	66,215	96,000	96,691
	<u>\$ 282,499</u>	<u>\$ 383,005</u>	<u>\$ 308,402</u>	<u>\$ 425,648</u>

Components of investment income for the years ending March 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 8,987	\$ 11,553
Unrealized gain	(16,791)	20,651
Realized gain	3,734	3,828
	<u>\$ (4,070)</u>	<u>\$ 36,032</u>

NOTE 6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Zero interest mortgage note payable to Housing and Redevelopment Authority of the City of St. Paul, MN dated September 4, 2012	\$ 8,000	\$ 12,000

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>\$ 4,000</u>	<u>\$ 8,000</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:

2016	\$ 4,000
2017	<u>4,000</u>
Total	<u><u>\$ 8,000</u></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%. The line of credit had a zero balance at March 31, 2016 and 2015.

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. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets March 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Endowment fund earnings	\$ 90,631	\$ 106,194
Artist support	5,000	18,200
MSAB cultural community partnership	8,000	8,000
Time restricted - fundraising initiative	<u>177,696</u>	<u>80,000</u>
	<u><u>\$ 281,327</u></u>	<u><u>\$ 212,394</u></u>

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

NOTE 10. 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.

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

NOTE 10. ENDOWMENT FUND – (Continued)

Endowment net asset composition and changes in endowment net assets for the year ended March 31, 2016 are as follows:

Endowment Net Asset Composition				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 84,557	\$ 182,360	\$ 266,917
Changes in Endowment Net Assets				
March 31, 2015	\$ -	\$ 106,194	\$ 182,610	\$ 288,804
Contributions	-	-	50	50
Investment return:				
Investment income	-	9,128	-	9,128
Net depreciation	-	(14,260)	-	(14,260)
Total investment return	-	(5,132)	-	(5,132)
Appropriation of endowment				
Assets for expenditure	-	(10,431)	-	(10,431)
March 31, 2016	\$ -	\$ 90,631	\$ 182,660	\$ 273,291

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	\$ -	\$ 106,194	\$ 182,610	\$ 288,804
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	\$ -	\$ 106,194	\$ 182,610	\$ 288,804