

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

***FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2017***

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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, 2017 and 2016, 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, 2017 and 2016, 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*

July 26, 2017  
St. Paul, Minnesota

**TEXTILE CENTER OF MINNESOTA**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR YEARS ENDED MARCH 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 257,870	\$ 86,875
Receivables	169,890	198,177
Prepaid expenses	10,345	18,145
Inventory	8,361	11,660
Fixed assets net of depreciation	1,074,240	1,124,427
Marketable securities	<u>360,103</u>	<u>383,005</u>
Total assets	<u>\$ 1,880,809</u>	<u>\$ 1,822,289</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 18,461	\$ 22,062
Morocco tour deposits	14,276	-
Building loan	4,000	8,000
Accrued wages and benefits	28,923	28,346
Accrued liabilities	904	1,459
Deferred revenue	<u>51,371</u>	<u>60,254</u>
Total liabilities	<u>117,935</u>	<u>120,121</u>
<b>NET ASSETS</b>		
Unrestricted		
General operations	213,546	113,754
Property, plant and equipment	<u>1,074,240</u>	<u>1,124,427</u>
Total unrestricted	1,287,786	1,238,181
Temporarily restricted	292,363	281,327
Permanently restricted	<u>182,725</u>	<u>182,660</u>
Total net assets	<u>1,762,874</u>	<u>1,702,168</u>
Total liabilities and net assets	<u>\$ 1,880,809</u>	<u>\$ 1,822,289</u>

**TEXTILE CENTER OF MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>				
Support				
Grants and donations	\$ 239,143	\$ 160,933	\$ 65	\$ 400,141
Government support	47,552	\$ 8,000	\$ -	55,552
Total support	<u>286,695</u>	<u>168,933</u>	<u>65</u>	<u>455,693</u>
Program revenue				
Education revenue	400,810	-	-	400,810
Rental income	48,903	-	-	48,903
Memberships	46,538	-	-	46,538
Event	52,176	-	-	52,176
Less: Direct expenses	(19,665)	-	-	(19,665)
Other income	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>1,562</u>
Net program revenue	<u>530,324</u>	<u>-</u>	<u>-</u>	<u>530,324</u>
Net assets released from restrictions	157,897	(157,897)	-	-
Total support, revenue and net assets released from restrictions	<u>974,916</u>	<u>11,036</u>	<u>65</u>	<u>986,017</u>
<b>Expenses:</b>				
Programs	785,565	-	-	785,565
Management and general	93,160	-	-	93,160
Fundraising and development	<u>90,857</u>	<u>-</u>	<u>-</u>	<u>90,857</u>
Total expenses	<u>969,582</u>	<u>-</u>	<u>-</u>	<u>969,582</u>
<b>Change in net assets from operations</b>	5,334	11,036	65	16,435
<b>Other changes in net assets</b>				
Investment income	<u>44,271</u>	<u>-</u>	<u>-</u>	<u>\$ 44,271</u>
<b>Change in net assets</b>	49,605	11,036	65	60,706
<b>NET ASSETS - Beginning of year</b>	<u>1,238,181</u>	<u>281,327</u>	<u>182,660</u>	<u>1,702,168</u>
<b>NET ASSETS - End of year</b>	<u>\$ 1,287,786</u>	<u>\$ 292,363</u>	<u>\$ 182,725</u>	<u>\$ 1,762,874</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>
<b>Support and Revenue:</b>				
Support				
Grants and donations	\$ 218,662	\$ 209,564	\$ 50	\$ 428,276
Government support	43,508	8,000	-	51,508
Total support	<u>262,170</u>	<u>217,564</u>	<u>50</u>	<u>479,784</u>
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	<u>490,354</u>	<u>-</u>	<u>-</u>	<u>490,354</u>
Net assets released from restrictions	148,631	(148,631)	-	-
Total support, revenue and net assets released from restrictions	<u>901,155</u>	<u>68,933</u>	<u>50</u>	<u>970,138</u>
<b>Expenses:</b>				
Programs	748,731	-	-	748,731
Management and general	117,723	-	-	117,723
Fundraising and development	119,023	-	-	119,023
Total expenses	<u>985,477</u>	<u>-</u>	<u>-</u>	<u>985,477</u>
<b>Change in net assets     from operations</b>	(84,322)	68,933	50	(15,339)
<b>Other changes in net assets</b>				
Investment income	<u>\$ (4,070)</u>	<u>-</u>	<u>-</u>	<u>(4,070)</u>
<b>Change in net assets</b>	(88,392)	68,933	50	(19,409)
<b>NET ASSETS - Beginning of year</b>	<u>1,326,573</u>	<u>212,394</u>	<u>182,610</u>	<u>1,721,577</u>
<b>NET ASSETS - End of year</b>	<u><u>\$ 1,238,181</u></u>	<u><u>\$ 281,327</u></u>	<u><u>\$ 182,660</u></u>	<u><u>\$ 1,702,168</u></u>

**TEXTILE CENTER OF MINNESOTA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2017**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries	\$ 349,233	\$ 46,900	\$ 61,185	\$ 457,318
Payroll taxes	29,536	4,346	4,122	38,004
Employee benefits	7,566	739	4,213	12,518
Professional services	20,295	18,406	3,600	42,301
Payroll processing fees	1,818	303	250	2,371
Cost of goods sold	123,382	-	-	123,382
Program activities and supplies	97,364	140	644	98,148
Facilities, utilities, maintenance and cleaning	48,357	7,446	3,747	59,550
Professional development, dues and subscriptions	2,906	553	414	3,873
Mileage and transport expense	4,528	62	-	4,590
Marketing and printing	17,543	3,527	2,877	23,947
Office and other supplies	2,383	651	157	3,191
Postage	9,840	975	2,177	12,992
Insurance	6,892	1,042	521	8,455
Depreciation	42,187	3,375	6,188	51,750
Tech support and website expenses	10,334	1,545	762	12,641
Credit card, bank and filing fees	11,401	2,941	-	14,342
Miscellaneous	-	209	-	209
Total functional expenses	<u>\$ 785,565</u>	<u>\$ 93,160</u>	<u>\$ 90,857</u>	<u>\$ 969,582</u>

See Notes to the Financial Statements

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

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
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	12,919
Credit card, bank and filing fees	9,296	10,298	18	19,612
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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 60,706	\$ (19,409)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	51,750	54,756
Endowment contributions	(65)	(50)
Unrealized and realized (gains) on investments	(35,105)	13,057
In-kind investment donations	(15,537)	(7,161)
Forgiven debt on loan	(4,000)	(4,000)
(Increases) decreases in:		
Receivables	28,287	(100,018)
Inventory	3,299	(2,128)
Prepaid expenses	7,800	(13,296)
Increases (decreases) in:		
Accounts payable	(3,601)	2,548
Morocco tour deposits	14,276	-
Accrued wages and benefits	577	(974)
Deferred revenue	(8,883)	24,987
Accrued liabilities	(555)	794
Net cash provided by operating activities	<u>98,949</u>	<u>(50,894)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(1,563)	(2,033)
Purchases of investments	(8,215)	(7,560)
Proceeds from sale of investments	<u>81,759</u>	<u>44,307</u>
Net cash provided by investing activities	<u>71,981</u>	<u>34,714</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to endowment fund	<u>65</u>	<u>50</u>
Net cash provided by financing activities	<u>65</u>	<u>50</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	170,995	(16,130)
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>86,875</u>	<u>103,005</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u>\$ 257,870</u></u>	<u><u>\$ 86,875</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, promoting excellence and innovation, and inspiring widespread participation 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, enthusiasts, 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 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 one of 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, social media 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 1. NATURE OF ACTIVITIES – (Continued)**

**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 art and textiles that are accepted through a jury process as well as fiber art books and supplies.

**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.

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

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

- 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.
- 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.
- 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.

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

- 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, 2017 and 2016.
- 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.
- 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 \$51,750 and \$54,756 for the years ended March 31, 2017 and 2016, respectively.

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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.

**n. Advertising Expenses** – The Organization expenses all advertising costs as they are incurred. Total advertising costs were \$4,546 and \$3,372 for the years ended March 31, 2017 and 2016, respectively.

**o. Subsequent Events** – In preparing these financial statements, the Organization has evaluated events and transaction for potential recognition or disclosure through July 26, 2017, the date the financial statements were available to be issued.

**NOTE 3. RECEIVABLES**

Receivables consist of the following at March 31, 2017 and 2016:

	2017	2016
Contributions receivable	\$ 170,653	\$ 195,039
Less allowance for uncollectible pledges	(4,500)	(7,900)
Less present value	(700)	(1,000)
Net contributions receivable	165,453	186,139
Other receivables	4,437	12,038
Total receivables	<u>\$ 169,890</u>	<u>\$ 198,177</u>

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

**NOTE 3. RECEIVABLES – (Continued)**

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, 2017 was 2%.

The contributions receivable are related to a special fundraising initiative.

The contributions are to be received as follows:

Year ended March 31:

2018	\$ 136,032
2019	34,621
	<u>\$ 170,653</u>

**NOTE 4. LAND, BUILDINGS AND EQUIPMENT**

The Organization owns the following as of March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 106,700	\$ 106,700
Building and improvements	1,684,986	1,684,986
Furniture and equipment	137,736	136,936
Computers, software and peripherals	33,783	33,020
Library collectibles	21,167	21,167
Total	<u>1,984,372</u>	<u>1,982,809</u>
Less accumulated depreciation	<u>(910,132)</u>	<u>(858,382)</u>
Net	<u>\$ 1,074,240</u>	<u>\$ 1,124,427</u>

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

**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.

Investments at March 31, 2017 and 2016 consisted of:

	2017		2016	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Marketable equity securities	\$ 168,831	\$ 296,560	\$ 170,803	\$ 265,567
Marketable debt securities	47,872	52,540	45,696	51,223
Certificates of deposit	11,000	11,003	66,000	66,215
	<u>\$ 227,703</u>	<u>\$ 360,103</u>	<u>\$ 282,499</u>	<u>\$ 383,005</u>

Components of investment income for the years ending March 31, 2017 and 2016 were as follows:

	2017	2016
Interest and dividend income	\$ 9,166	\$ 8,987
Unrealized gain	30,563	(16,791)
Realized gain	4,542	3,734
	<u>\$ 44,271</u>	<u>\$ (4,070)</u>

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

**NOTE 6. LONG-TERM DEBT**

Long-term debt consisted of the following at March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Zero interest mortgage note payable to the Housing and Redevelopment Authority of the City of St. Paul, MN, dated September 4, 2012	\$ 4,000	\$ 8,000
The mortgage is to be forgiven in five years from the date of the loan as long as the property continues to operate as the Textile Center of Minnesota.		
Less amounts forgiven in one year	<u>(4,000)</u>	<u>(4,000)</u>
Total long-term debt, less current portion	<u>\$ -</u>	<u>\$ 4,000</u>

**NOTE 7. LINE OF CREDIT**

The Organization had a \$75,000 revolving line of credit that expired October 21, 2016. There were no borrowings on this line of credit at March 31, 2016. A new \$75,000 line of credit agreement went into effect subsequent to year end and calls for a variable interest rate at prime plus .5%. This line of credit expires August 2, 2018.

**NOTE 8. MOROCCO TOUR DEPOSITS**

The Organization is sponsoring a Textile Arts tour to Morocco September 23 – October 7, 2017. The Organization's executive director, Karl Reichert, will accompany 15 patrons on this tour. The liability of \$14,276 for the Morocco tour represents deposits collected by the Organization and are owed to the travel agency coordinating the tour.

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

**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, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Endowment fund earnings	\$ 117,542	\$ 90,631
Artist support - Jerome Foundation grant	3,000	5,000
MSAB Cultural Community Partnership	-	8,000
Time restricted - fundraising initiative	171,821	177,696
	<u>\$ 292,363</u>	<u>\$ 281,327</u>

**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.

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**NOTE 11. ENDOWMENT FUND – (Continued)**

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, 2017 are as follows:

<b>Endowment Net Asset Composition</b>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	<u>\$ -</u>	<u>\$ 117,542</u>	<u>\$ 182,725</u>	<u>\$ 300,267</u>
<b>Changes in Endowment Net Assets</b>				
March 31, 2016	\$ -	\$ 90,631	\$ 182,660	\$ 273,291
Contributions	-	-	65	65
Investment return:				
Investment income	-	10,914	-	10,914
Net depreciation	-	27,219	-	27,219
Total investment return	-	38,133	-	38,133
Appropriation of endowment				
Assets for expenditure	-	(11,222)	-	(11,222)
March 31, 2017	<u>\$ -</u>	<u>\$ 117,542</u>	<u>\$ 182,725</u>	<u>\$ 300,267</u>

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

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