



Financial Statements  
March 31, 2016 and 2015

# The Women's Foundation of Minnesota

The Women's Foundation of Minnesota

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March 31, 2016 and 2015

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## **Independent Auditor's Report**

The Board of Trustees  
The Women's Foundation of Minnesota  
Minneapolis, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Women's Foundation of Minnesota which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities 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 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 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 The Women's Foundation 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota  
August 3, 2016

|  | 2016                 | 2015                 |
|--|----------------------|----------------------|
| Assets   |                      |                      |
| Current Assets   |                      |                      |
| Cash and cash equivalents                                  | \$ 4,897,448         | \$ 3,871,125         |
| Promises to give, net                                      | 705,141              | 375,569              |
| Prepaid expenses   | 95,546               | 56,784               |
| Total current assets                                       | <u>5,698,135</u>     | <u>4,303,478</u>     |
| Property and Equipment, Net of<br>Accumulated Depreciation | <u>183,264</u>       | <u>206,315</u>       |
| Other Assets   |                      |                      |
| Endowment  |                      |                      |
| Investments  | 17,397,243           | 19,144,597           |
| Promises to give, net                                      | 125,349              | 151,130              |
| Other  | -                    | 20,000               |
| Program related investments                                | 600,000              | 600,000              |
| Due from operations  | (2,382)              | (174,880)            |
| PRI interest receivable                                    | 5,604                | 10,938               |
| Beneficial interest in trust                               | 38,488               | 41,308               |
| Total endowment  | <u>18,164,302</u>    | <u>19,793,093</u>    |
| Security deposit   | 7,450                | 7,450                |
| Long-term promises to give, net                            | <u>358,930</u>       | <u>279,317</u>       |
| Total other assets   | <u>18,530,682</u>    | <u>20,079,860</u>    |
| Total assets   | <u>\$ 24,412,081</u> | <u>\$ 24,589,653</u> |

See Notes to Financial Statements

The Women's Foundation of Minnesota  
 Statements of Financial Position  
 March 31, 2016 and 2015

|                                    | 2016          | 2015          |
|------------------------------------|---------------|---------------|
| Liabilities and Net Assets         |               |               |
| Current Liabilities                |               |               |
| Accounts payable                   | \$ 36,999     | \$ 10,476     |
| Gift annuities payable             | 4,900         | 4,900         |
| Accrued expenses                   | 135,905       | 121,322       |
| Grants payable                     | 630,000       | 540,000       |
| Total current liabilities          | 807,804       | 676,698       |
| Long-Term Gift Annuities Payable   | 59,798        | 62,975        |
| Total liabilities                  | 867,602       | 739,673       |
| Net Assets                         |               |               |
| Unrestricted                       |               |               |
| Undesignated                       | 665,078       | 209,848       |
| Board designated operating reserve | 340,494       | 240,000       |
| Board designated endowment         | 733,339       | 753,839       |
| Total unrestricted                 | 1,738,911     | 1,203,687     |
| Temporarily restricted             | 7,635,971     | 8,537,376     |
| Permanently restricted             | 14,169,597    | 14,108,917    |
| Total net assets                   | 23,544,479    | 23,849,980    |
| Total liabilities and net assets   | \$ 24,412,081 | \$ 24,589,653 |

The Women's Foundation of Minnesota  
 Statements of Activities  
 Year Ended March 31, 2016

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Public Support and Revenue  |                     |                                   |                                   |                      |
| Grants and contributions  | \$ 546,373          | \$ 3,458,412                      | \$ 63,500                         | \$ 4,068,285         |
| Special events, net   | 201,663             | -                                 | -                                 | 201,663              |
| Other income  | 9,227               | -                                 | -                                 | 9,227                |
| Net assets released from<br>restriction pursuant to<br>endowment spending-<br>rate distribution formula | 1,405,900           | (1,405,900)                       | -                                 | -                    |
| Net assets released from<br>restrictions  | <u>2,415,096</u>    | <u>(2,415,096)</u>                | <u>-</u>                          | <u>-</u>             |
| Total public support<br>and revenue   | <u>4,578,259</u>    | <u>(362,584)</u>                  | <u>63,500</u>                     | <u>4,279,175</u>     |
| Expenses  |                     |                                   |                                   |                      |
| Grantmaking, research, public<br>policy and philanthropy  | 3,405,128           | -                                 | -                                 | 3,405,128            |
| Administrative  | 599,777             | -                                 | -                                 | 599,777              |
| Fundraising   | <u>15,908</u>       | <u>-</u>                          | <u>-</u>                          | <u>15,908</u>        |
| Total expenses  | <u>4,020,813</u>    | <u>-</u>                          | <u>-</u>                          | <u>4,020,813</u>     |
| Operating Revenue in Excess of<br>(Less Than) Expenses  | 557,446             | (362,584)                         | 63,500                            | 258,362              |
| Net Investment Loss   | <u>(22,222)</u>     | <u>(538,821)</u>                  | <u>(2,820)</u>                    | <u>(563,863)</u>     |
| Change in Net Assets  | 535,224             | (901,405)                         | 60,680                            | (305,501)            |
| Net Assets, Beginning of Year   | <u>1,203,687</u>    | <u>8,537,376</u>                  | <u>14,108,917</u>                 | <u>23,849,980</u>    |
| Net Assets, End of Year   | <u>\$ 1,738,911</u> | <u>\$ 7,635,971</u>               | <u>\$ 14,169,597</u>              | <u>\$ 23,544,479</u> |

The Women's Foundation of Minnesota  
Statements of Activities  
Year Ended 2015

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Public Support and Revenue  |                     |                                   |                                   |                      |
| Grants and contributions  | \$ 538,362          | \$ 1,999,605                      | \$ 72,400                         | \$ 2,610,367         |
| Special events, net   | 215,967             | -                                 | -                                 | 215,967              |
| Other income  | 6,629               | -                                 | -                                 | 6,629                |
| Net assets released from<br>restriction pursuant to<br>endowment spending-<br>rate distribution formula | 1,532,959           | (1,532,959)                       | -                                 | -                    |
| Net assets released from<br>restrictions  | <u>1,841,337</u>    | <u>(1,841,337)</u>                | <u>-</u>                          | <u>-</u>             |
| Total public support<br>and revenue   | <u>4,135,254</u>    | <u>(1,374,691)</u>                | <u>72,400</u>                     | <u>2,832,963</u>     |
| Expenses  |                     |                                   |                                   |                      |
| Grantmaking, research, public<br>policy and philanthropy  | 3,138,252           | -                                 | -                                 | 3,138,252            |
| Administrative  | 592,450             | -                                 | -                                 | 592,450              |
| Fundraising   | <u>83,956</u>       | <u>-</u>                          | <u>-</u>                          | <u>83,956</u>        |
| Total expenses  | <u>3,814,658</u>    | <u>-</u>                          | <u>-</u>                          | <u>3,814,658</u>     |
| Operating Revenue in Excess of<br>(Less Than) Expenses  | 320,596             | (1,374,691)                       | 72,400                            | (981,695)            |
| Net Asset Transfers   | 142                 | (142)                             | -                                 | -                    |
| Net Investment Return   | <u>61,199</u>       | <u>1,641,049</u>                  | <u>1,762</u>                      | <u>1,704,010</u>     |
| Change in Net Assets  | 381,937             | 266,216                           | 74,162                            | 722,315              |
| Net Assets, Beginning of Year   | <u>821,750</u>      | <u>8,271,160</u>                  | <u>14,034,755</u>                 | <u>23,127,665</u>    |
| Net Assets, End of Year   | <u>\$ 1,203,687</u> | <u>\$ 8,537,376</u>               | <u>\$ 14,108,917</u>              | <u>\$ 23,849,980</u> |



The Women's Foundation of Minnesota  
Statements of Cash Flows  
Years Ended March 31, 2016 and 2015

|   | 2016         | 2015         |
|---|--------------|--------------|
| Cash Flows from Operating Activities  |              |              |
| Change in net assets  | \$ (305,501) | \$ 722,315   |
| Adjustments to reconcile change in net assets to net cash<br>from (used for) operating activities |              |              |
| Depreciation  | 51,494       | 51,409       |
| Realized and unrealized (gain) loss on investments  | 863,878      | (1,403,119)  |
| Contributions restricted to endowment   | (339,250)    | (999,451)    |
| Changes in operating assets and liabilities   |              |              |
| PRI interest receivable and other   | 25,334       | (21,500)     |
| Due to (from) operations  | (172,499)    | 147,590      |
| Security deposit  | -            | (150)        |
| Promises to give  | (409,185)    | 141,771      |
| Prepaid expenses  | (38,762)     | (1,937)      |
| Accounts payable  | 26,523       | (7,221)      |
| Gift annuities payable  | (3,177)      | (1,754)      |
| Accrued expenses  | 14,583       | 24,455       |
| Grants payable  | 90,000       | 320,000      |
|   | (196,562)    | (1,027,592)  |
| Cash Flows from Investing Activities  |              |              |
| Purchase of property and equipment  | (28,444)     | (20,727)     |
| Purchase of investments   | (286,489)    | (679,203)    |
| Proceeds on sale of investments   | 1,172,787    | 758,406      |
|   | 857,854      | 58,476       |
| Cash Flows from Financing Activities  |              |              |
| Collections of contributions restricted to endowment  | 365,031      | 1,023,629    |
|   | 365,031      | 1,023,629    |
| Net Change in Cash and Cash Equivalents   | 1,026,323    | 54,513       |
| Cash and Cash Equivalents, Beginning of Year  | 3,871,125    | 3,816,612    |
| Cash and Cash Equivalents, End of Year  | \$ 4,897,448 | \$ 3,871,125 |

## Note 1 - Principal Activity and Significant Accounting Policies

### Organization

The Women's Foundation of Minnesota (the Foundation), founded in 1983 and incorporated on December 16, 1988, is the first and largest statewide women's foundation in the country. As a statewide community foundation, it is the Foundation's mission to invest in innovation to drive gender equity in Minnesota. The Foundation aims to create a world of equal opportunity where women and girls – *and all people* – hold the power to create and lead safe, prosperous lives. Through annual statewide grantmaking, research, and policy, the Foundation is building pathways to economic security for young women who experience the greatest disparities in outcomes, particularly low-income women and girls, women and girls of color, and women and girls from greater Minnesota.

In November 2015, the Foundation's Board of Trustees approved a new, ten-year Strategic Plan with four new Strategic Goals, including: 1) Invest in organizations and leaders to create conditions for women and girls to thrive; 2) Focus grantmaking, research, and policy to create pathways to prosperity and security for low-income women and girls; 3) Fortify the Foundation's assets to maximize impact and scale; and 4) Galvanize resources to end sex trafficking in Minnesota.

In FY16, the Foundation invested \$2.5 million to create equal opportunity and build pathways to economic security for women and girls who experience the greatest disparities in outcomes through grantmaking, program related investments, research, and public policy.

### Grantmaking

In FY 2016, the Foundation had three competitive grantmaking funds: Social Change Fund, girlsBEST (girls Building Economic Success Together) Fund, and MN Girls Are Not For Sale Fund.

1. Social Change Fund: Through this fund, the Foundation awards grants and provides technical assistance to nonprofits across the state working to achieve equality for women in four cornerstones areas: Economic Opportunity, Safety & Security, Health & Reproductive Rights, and Political Power.
2. girlsBEST (girls Building Economic Success Together) Fund: Through girlsBEST, the Foundation awards grants to statewide programs that prepare girls for future economic well-being in four program tracks: Academics; Entrepreneurship; Employment Development & High-paying/High-skill Careers; and Public Education & Advocacy.
3. MN Girls Are Not For Sale Fund: MN Girls Are Not For Sale is an eight-year, \$7.5 million campaign of The Women's Foundation of Minnesota to galvanize resources to end sex trafficking in Minnesota. Grantees drove legislative action to change state laws to recognize girls under age 18 who had been sex-trafficked as victims of a crime, not the criminals; pursued sustainable housing for sex-trafficked girls to ensure that advocates can create and sustain holistic shelters for survivors; and developed a statewide, county multi-jurisdictional model for intervention and services.

### **Research, Education and Public Policy**

In this programmatic area, the Foundation moves Minnesota forward by educating and influencing leaders, institutions and communities to invest in economic, political and social equality for all of the state's women and girls. To date (2000 – March 2016), the Foundation has published six research reports on the status of women and girls in the state. In 2009, the Foundation entered into a partnership with the University of Minnesota – Humphrey Institute's Center on Women and Public Policy for Status of Women & Girls in Minnesota, an ongoing collaborative research project. Annually, data specific to Minnesota women and girls is gathered and analyzed in economics, safety and security, health and reproductive rights, and political power and leadership. The project expands the available data on women and girls, provides ongoing trend analysis, raises public awareness and improves policy responses to the needs of women and girls in Minnesota. In March 2012, the Foundation released GENDER EQUALITY Explorer, a public, free, web-based research tool that pulls data from the U.S. Census Bureau's American Community Survey. Users can create tables, maps and reports to illustrate, analyze and understand the status of women and girls in their community.

### **Building Women's Philanthropy**

In this programmatic area, the Foundation develops and pursues strategies to engage diverse, new generations of donors to practice social change philanthropy for women and girls. Annually, the Foundation sponsors charitable giving workshops for donors and provides information and assistance for donors interested in opening a donor advised fund or starting a giving circle. These vehicles help women leverage their economic power to build a more equitable world for all Minnesota's women and girls.

### **Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

### **Promises to Give**

Unconditional promises to give expected to be collected within one year are reported at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The adjustment to net present value for contributions and pledges receivable was \$14,922 and \$4,364 at March 31, 2016 and 2015, respectively. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At March 31, 2016 and 2015, the allowance was \$1,397.

### **Property and Equipment**

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended March 31, 2016 and 2015.

### **Beneficial Interest in Charitable Trust**

The Foundation receives contributions of property in which the donor may retain a life interest. The assets are invested and administered by an unrelated trustee and distributions are made to the beneficiaries during the term of the agreement. These funds are invested in debt and equity securities, and the Foundation records its interest in these trusts at fair value based on the estimated future cash receipts discounted at the applicable Federal rate of return; this rate was determined to be 4.4% at March 31, 2016. Initial recognition and subsequent adjustments to the assets carrying value are recognized as contribution revenue and changes in value of split interest agreements, respectively, and are classified as permanently restricted, temporarily restricted or unrestricted, depending on donor-stipulated purpose and time restrictions, if any. The value of these trusts was \$38,488 and \$41,308 for the years ended March 31, 2016 and 2015, respectively.

### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Investments include money market funds also at fair value. Donated investments are reflected in the financial statements at their fair value on the date of donation. Investment income and realized and unrealized gains/losses are reported as changes in net assets in the reporting period in which the income and gains/losses are recognized.

### **Charitable Gift Annuities**

The Foundation has established a gift annuity program whereby donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution. The difference between the amount provided for the gift annuity and the present value of the liability for future payments is recognized as unrestricted contributions at the date of the gift, unless the donor has established restrictions on the contribution component. The Foundation uses published mortality tables adopted by the United States Internal Revenue Service. The annuity table is revalued annually based upon computed present values. Resulting gains (losses) are recorded as revenue in the appropriate net asset class. During the years ended March 31, 2016 and 2015, there were no contributions received under this program.

## **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board designated net assets consist of net assets designated by the Board of Trustees for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation's Board of Trustees.

The Foundation reports support that is restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same month in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends 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 restriction.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

## **Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

## **Donated Materials and In-Kind Contributions**

The Foundation receives donated services from a variety of unpaid volunteers assisting The Women's Foundation of Minnesota in providing crucial programmatic and professional services. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received. No significant contributions of such goods were received during the years ended March 31, 2016 and 2015.

## **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Income Taxes**

The Foundation is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

## **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

## **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations and individuals supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

## **Subsequent Events**

The Foundation has evaluated subsequent events through August 3, 2016, the date the financial statements were available to be issued.

## Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

As of March 31, 2016 and 2015, the limited liability company assets are valued at the Net Asset Value (NAV) per share, or its equivalent, based on the fair value of the underlying assets and liabilities. Assets and liabilities for which observable market quotations from independent pricing services and broker/dealers are readily available are valued at such market quotations. Assets and liabilities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the fund manager using the following methods: discounted cash flow models and comparisons of financial ratios of peer companies that are public and other unobservable factors. When an external event such as a purchase transaction, public offering or subsequent equity sales occurs, the manager considers the pricing indicated by the external event to corroborate and/or assist in the valuation. These are considered to be Level 2 measurements.

The fair values of beneficial interests in charitable trust is determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and is based on the fair values of trust investments as reported by the trustees. The fair value of the Foundation's beneficial interest in assets held by the trustee is based on the fair value of fund investments as reported by the trustee. These are considered to be Level 3 measurements.

The Women's Foundation of Minnesota  
Notes to Financial Statements  
March 31, 2016 and 2015

The following table presents assets measured at fair value on a recurring basis at March 31, 2016 and 2015:

|  | Quoted Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | Total                |
|--|---|----------------------------------|-------------------------------------|----------------------|
| March 31, 2016   |   |                                  |                                     |                      |
| Beneficial interest in charitable trust                  | \$ -  | \$ -                             | \$ 38,488                           | \$ 38,488            |
| Endowment investments                                    |   |                                  |                                     |                      |
| Commonfund Institutional Multi-Strategy Equity Fund, LLC | \$ -  | \$ 12,546,091                    | \$ -                                | \$ 12,546,091        |
| Commonfund Institutional Multi-Strategy Bond Fund, LLC   | -   | 4,851,152                        | -                                   | 4,851,152            |
|  | <u>\$ -</u>                                     | <u>\$ 17,397,243</u>             | <u>\$ -</u>                         | <u>\$ 17,397,243</u> |
| March 31, 2015   |   |                                  |                                     |                      |
| Beneficial interest in charitable trust                  | \$ -  | \$ -                             | \$ 41,308                           | \$ 41,308            |
| Endowment investments                                    |   |                                  |                                     |                      |
| Commonfund Institutional Multi-Strategy Equity Fund, LLC | \$ -  | \$ 14,001,360                    | \$ -                                | \$ 14,001,360        |
| Commonfund Institutional Multi-Strategy Bond Fund, LLC   | -   | 5,143,237                        | -                                   | 5,143,237            |
|  | <u>\$ -</u>                                     | <u>\$ 19,144,597</u>             | <u>\$ -</u>                         | <u>\$ 19,144,597</u> |

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2016 and 2015:

|                            | 2016             | 2015             |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 41,308        | \$ 39,546        |
| Unrealized gains (losses)  | (2,820)          | 1,762            |
| Balance, end of year       | <u>\$ 38,488</u> | <u>\$ 41,308</u> |



Investments in certain entities that calculate the NAV per share are as follows at March 31, 2016:

|                                   | <u>Fair Value</u>           | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|-----------------------------------|-----------------------------|---------------------------------|---------------------------------|-------------------------------------|
| CFI Multi-Strategy<br>Equity Fund | \$ 12,546,091               | \$ -                            | Monthly *                       | 30 days                             |
| CFI Multi-Strategy<br>Bond Fund   | <u>4,851,152</u>            | <u>-</u>                        | Monthly *                       | 30 days                             |
|                                   | <u><u>\$ 17,397,243</u></u> | <u><u>\$ -</u></u>              |                                 |                                     |

Investments in certain entities that calculate the NAV per share are as follows at March 31, 2015:

|                                   | <u>Fair Value</u>           | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|-----------------------------------|-----------------------------|---------------------------------|---------------------------------|-------------------------------------|
| CFI Multi-Strategy<br>Equity Fund | \$ 14,001,360               | \$ -                            | Monthly *                       | 30 days                             |
| CFI Multi-Strategy<br>Bond Fund   | <u>5,143,237</u>            | <u>-</u>                        | Monthly *                       | 30 days                             |
|                                   | <u><u>\$ 19,144,597</u></u> | <u><u>\$ -</u></u>              |                                 |                                     |

\*The funds allow monthly redemption; however, in an effort to streamline operations, these transactions with Commonfund occur on a quarterly basis for internal purposes. As funds are received, they are recorded according to program and fund restriction. The total amount due to or from investments is tracked until a redemption or deposit from investments is initiated. This amount is netted against the investment draw used to fund operations.

CFI Multi-Strategy Equity Fund – The investment objective of the Multi-Strategy Equity Fund is to offer an investment program that will provide the strategy and manager diversification that an endowment would normally require for its public equity allocation. The fund is designed to add value over long time periods, above the return of the U.S. equity market as measured by the S&P 500 Index with similar risk characteristics.

CFI Multi-Strategy Bond Fund – The investment objective of the Multi-Strategy Bond Fund is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund is designed to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index with similar risk characteristics.

**Note 3 - Net Investment Return**

Net investment return consists of the following for the years ended March 31, 2016 and 2015:

|   | 2016         | 2015         |
|---|--------------|--------------|
| Interest and dividends                        | \$ 356,125   | \$ 357,719   |
| Net realized and unrealized gain (loss)       | (863,878)    | 1,403,119    |
| Less investment management and custodial fees | (56,110)     | (56,828)     |
|   | \$ (563,863) | \$ 1,704,010 |

**Note 4 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at March 31, 2016 and 2015:

|                                       | 2016         | 2015       |
|---------------------------------------|--------------|------------|
| Within one year                       | \$ 705,141   | \$ 375,569 |
| In one to five years                  | 500,598      | 436,478    |
| Subtotal promises to give             | 1,205,739    | 812,047    |
| Less allowance for doubtful pledges   | (1,397)      | (1,397)    |
| Less present value discount           | (14,922)     | (4,634)    |
| Total promises to give                | \$ 1,189,420 | \$ 806,016 |
| Current portion of promises to give   | \$ 705,141   | \$ 375,569 |
| Long-term portion of promises to give | 484,279      | 430,447    |
| Total promises to give                | \$ 1,189,420 | \$ 806,016 |

At March 31, 2016 and 2015, five donors accounted for 67% and 82% of total promises to give, respectively. Three grantors accounted for approximately 45% and 52% of total grants at March 31, 2016 and 2015, respectively.

**Note 5 - Property and Equipment**

Property and equipment consist of the following for the years ended March 31, 2016 and 2015:

|                               | 2016       | 2015       |
|-------------------------------|------------|------------|
| Furnitures and fixtures       | \$ 448,315 | \$ 419,872 |
| Leasehold improvements        | 30,903     | 30,903     |
|                               | 479,218    | 450,775    |
| Less accumulated depreciation | (295,954)  | (244,460)  |
|                               | \$ 183,264 | \$ 206,315 |

Depreciation expense for the years ended March 31, 2016 and 2015, was \$51,494 and \$51,409, respectively.

**Note 6 - Board Designated Net Assets**

The Board of the Foundation has designated certain assets of the Foundation to function as an endowment to maintain the grant-making capacity of the Foundation with a balance of \$733,339 and \$753,839 at March 31, 2016 and 2015, respectively. In addition, the Board has designated certain assets of the organization to function as various operating reserves. Total funds designated for this purpose were \$340,494 and \$240,000 as of March 31, 2016 and 2015, respectively.

**Note 7 - Leases**

The Foundation leases office space under various operating leases expiring at various dates through January 2024.

Future minimum lease payments are as follows:

| Years Ending March 31, | Amount     |
|------------------------|------------|
| 2017                   | \$ 41,978  |
| 2018                   | 43,593     |
| 2019                   | 45,207     |
| 2020                   | 46,822     |
| 2021                   | 48,437     |
| Thereafter             | 154,997    |
|                        | \$ 381,034 |

Rent expense for the years ended March 31, 2016 and 2015, was \$106,402 and \$142,752, respectively.

## Note 8 - Endowment

The Foundation's endowment (the endowment) includes both donor-restricted endowment funds and funds designated by the Foundation Board to function as endowments to provide annual funding for specific activities and general operations. The endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board of Trustees. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation 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, unless there are explicit donor stipulations to the contrary. At March 31, 2016, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of March 31, 2016 and 2015, the Foundation had the following endowment net assets composition by type of fund:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| March 31, 2016                      |                     |                                   |                                   |                      |
| Donor-restricted<br>endowment funds | \$ -                | \$ 3,261,366                      | \$ 14,169,597                     | \$ 17,430,963        |
| Board designated<br>endowment funds | <u>733,339</u>      | <u>-</u>                          | <u>-</u>                          | <u>733,339</u>       |
|                                     | <u>\$ 733,339</u>   | <u>\$ 3,261,366</u>               | <u>\$ 14,169,597</u>              | <u>\$ 18,164,302</u> |
| March 31, 2015                      |                     |                                   |                                   |                      |
| Donor-restricted<br>endowment funds | \$ -                | \$ 4,930,337                      | \$ 14,108,917                     | \$ 19,039,254        |
| Board designated<br>endowment funds | <u>753,839</u>      | <u>-</u>                          | <u>-</u>                          | <u>753,839</u>       |
|                                     | <u>\$ 753,839</u>   | <u>\$ 4,930,337</u>               | <u>\$ 14,108,917</u>              | <u>\$ 19,793,093</u> |

### Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that maintain the principal plus the consumer price index and to re-invest excess earnings that are equal to or exceed the various benchmarks that are representative of the asset allocation models. Investment risks are considered within the context of all managed assets and the need to meet specific objectives as determined by the Finance Committee. Volatility and risk will be controlled through asset allocation strategies and the selection of Investment Managers of mutual funds.

To satisfy its long-term objectives, the Foundation relies on a balanced asset allocation model in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy that reflects a commitment to endowment growth by balancing the re-investment of annual earnings with the operating needs of the Foundation. Accordingly, over the long-term, the Foundation expects the current policy to allow its endowment to grow at a rate of return that equals or exceeds the various benchmarks that are representative of the asset allocation model identified. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts, changes in inflation, and investment return.

The Women's Foundation of Minnesota  
Notes to Financial Statements  
March 31, 2016 and 2015

Changes in endowment net assets for the years ended March 31, 2016 and 2015, are as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Year ended March 31, 2016                                   |                     |                                   |                                   |                      |
| Endowment net assets,<br>beginning of year                  | \$ 753,839          | \$ 4,930,337                      | \$ 14,108,917                     | \$ 19,793,093        |
| Investment return   | (20,500)            | (538,821)                         | (2,820)                           | (562,141)            |
| Contributions   | -                   | 275,750                           | 63,500                            | 339,250              |
| Distributions   |                     |                                   |                                   |                      |
| Donor advised fund<br>grants                                | (245,185)           | -                                 | -                                 | (245,185)            |
| Appropriations  | (1,085,410)         | -                                 | -                                 | (1,085,410)          |
| Donor advised fund<br>administrative fees                   | (75,305)            | -                                 | -                                 | (75,305)             |
| Net assets released<br>pursuant to spending-<br>rate policy | <u>1,405,900</u>    | <u>(1,405,900)</u>                | <u>-</u>                          | <u>-</u>             |
| Endowment net assets,<br>end of year                        | <u>\$ 733,339</u>   | <u>\$ 3,261,366</u>               | <u>\$ 14,169,597</u>              | <u>\$ 18,164,302</u> |
| Year ended March 31, 2015                                   |                     |                                   |                                   |                      |
| Endowment net assets,<br>beginning of year                  | \$ 689,495          | \$ 3,895,196                      | \$ 14,034,755                     | \$ 18,619,446        |
| Investment return   | 64,344              | 1,641,049                         | 1,762                             | 1,707,155            |
| Contributions   | -                   | 927,051                           | 72,400                            | 999,451              |
| Distributions   |                     |                                   |                                   |                      |
| Donor advised fund<br>grants                                | (286,553)           | -                                 | -                                 | (286,553)            |
| Appropriations  | (1,179,000)         | -                                 | -                                 | (1,179,000)          |
| Donor advised fund<br>administrative fees                   | (67,406)            | -                                 | -                                 | (67,406)             |
| Net assets released<br>pursuant to spending-<br>rate policy | <u>1,532,959</u>    | <u>(1,532,959)</u>                | <u>-</u>                          | <u>-</u>             |
| Endowment net assets,<br>end of year                        | <u>\$ 753,839</u>   | <u>\$ 4,930,337</u>               | <u>\$ 14,108,917</u>              | <u>\$ 19,793,093</u> |

**Note 9 - Restricted Net Assets**

**Temporarily Restricted**

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

|                                  | 2016         | 2015         |
|----------------------------------|--------------|--------------|
| Endowment - general              | \$ (204,749) | \$ 1,286,747 |
| Endowment - donor advised funds  | 3,466,116    | 3,643,590    |
| Operations - general             | 3,729,663    | 2,687,089    |
| Operations - donor advised funds | 644,941      | 919,950      |
|                                  | \$ 7,635,971 | \$ 8,537,376 |

Temporarily restricted net assets released from restriction for the years ended March 31, 2016 and 2015, consist of the following:

|  | 2016         | 2015         |
|--|--------------|--------------|
| General endowment funds released       | \$ 1,085,411 | \$ 1,179,000 |
| Donor advised endowment funds released | 320,489      | 353,959      |
| General operating funds released       | 453,838      | 1,725,165    |
| Donor advised operating funds released | 1,961,258    | 116,172      |
|  | \$ 3,820,996 | \$ 3,374,296 |

**Permanently Restricted**

Permanently restricted net assets are subject to donor imposed restrictions that they be maintained permanently by the Foundation. Permanently restricted net assets consisted of the following at March 31, 2016 and 2015:

|                                      | 2016          | 2015          |
|--------------------------------------|---------------|---------------|
| General endowment                    | \$ 10,057,162 | \$ 10,057,162 |
| Permanent fund for girls             | 2,321,750     | 2,321,750     |
| Entrepreneurial activities for girls | 250,000       | 250,000       |
| Other special endowment funds        | 20,000        | 20,000        |
| Donor advised endowment funds        | 1,520,685     | 1,460,005     |
|                                      | \$ 14,169,597 | \$ 14,108,917 |

**Note 10 - Pension Expense**

The Foundation sponsors a 401(k) plan that covers substantially all employees. Pension plan expense was \$68,799 and \$62,243 for the years ended March 31, 2016 and 2015, respectively.

**Note 11 - Special Events**

Net special event revenue for The Stir consisted of the following for the years ended March 31, 2016 and 2015:

|                             | <u>2016</u>       | <u>2015</u>       |
|-----------------------------|-------------------|-------------------|
| Revenue                     | \$ 194,574        | \$ 198,550        |
| Contributions               | <u>116,437</u>    | <u>98,331</u>     |
| Gross special event revenue | 311,011           | 296,881           |
| Direct expenses             | <u>(109,348)</u>  | <u>(80,914)</u>   |
| Net special event revenue   | <u>\$ 201,663</u> | <u>\$ 215,967</u> |