MINNESOTA 4-H FOUNDATION

Financial Statements

June 30, 2015

MINNESOTA 4-H FOUNDATION

UNIVERSITY OF MINNESOTA EXTENSION

MINNESOTA 4-H FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Minnesota 4-H Foundation
St. Paul, Minnesota

We have audited the accompanying financial statements of the Minnesota 4-H Foundation, which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota 4-H Foundation at June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Minnesota 4-H Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 22, 2015

Akins Henke and Company

MINNESOTA 4-H FOUNDATION

Statements of Financial Position

June 30, 2015 and 2014

		2015	2014
ASSETS			
Current Assets:			
Cash and cash equivalents	$	369,738	360,988
Cash held for custodial accounts		48,197	1,999
Promises to give		15,143	97,688
Prepaid expenses		20,096	18,569
Accounts receivable		26,256	21,680
Total Current Assets		479,430	500,924
Equipment, net		1,982	3,171
Promises to give		13,849	11,848
Investments		9,428,317	8,666,379
Annuity trusts		13,142	25,856
Total Assets	$	9,936,720	9,208,178
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	$	31,184	36,745
Grants payable		84,952	102,683
Accrued wages and benefits		11,862	17,868
Total Current Liabilities		127,998	157,296
Grants payable		-	38,447
Custodial accounts		2,616,177	2,464,153
Total Liabilities		2,744,175	2,659,896
Net Assets:			
Unrestricted		238,881	193,053
Temporarily restricted		4,822,346	4,341,989
Permanently restricted		2,131,318	2,013,240
Total Net Assets		7,192,545	6,548,282
Total Liabilities and Net Assets	$	9,936,720	9,208,178

See accompanying notes to the financial statements.

MINNESOTA 4-H FOUNDATION
Statement of Activities
For the Year Ended June 30, 2015
With Comparative Totals for 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
SUPPORT AND REVENUE:					
Contributions	$ 124,241	692,750	99,818	916,809	428,015
Grant revenue	5,000	37,136	-	42,136	99,095
Contributed services and materials	190,862	-	-	190,862	125,032
Total Contributions	320,103	729,886	99,818	1,149,807	652,142
Special events	91,186	-	-	91,186	107,732
Less costs of direct benefit to donors	(31,976)	-	-	(31,976)	(41,572)
Total Special Events	59,210	-	-	59,210	66,160
Investment income, net	1,631	313,896	-	315,527	663,080
Net unrealized gains (losses) on annuity trusts	-	(734)	(1,043)	(1,777)	1,596
Fund management fees	22,257	-	-	22,257	21,575
Miscellaneous income	6,150	13,468	-	19,618	14,610
Total Support and Revenue	409,351	1,056,516	98,775	1,564,642	1,419,163
NET ASSETS RELEASED FROM RESTRICTION	556,856	(576,159)	19,303	-	-
EXPENSES:					
Program services - 4-H activities	486,743	-	-	486,743	714,842
Support services:					
Management and general	155,966	-	-	155,966	152,393
Fundraising	277,670	-	-	277,670	361,145
Total Expenses	920,379	-	-	920,379	1,228,380
CHANGE IN NET ASSETS	45,828	480,357	118,078	644,263	190,783
NET ASSETS AT BEGINNING OF YEAR	193,053	4,341,989	2,013,240	6,548,282	6,357,499
NET ASSETS AT END OF YEAR	$ 238,881	4,822,346	2,131,318	7,192,545	6,548,282

See accompanying notes to the financial statements.

MINNESOTA 4-H FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2015
With Comparative Totals for 2014

		Support Services			
	4-H Programs	Management and General	Fundraising	Total 2015	Total 2014
Program grants:					
4-H programs	$ 396,496	-	-	396,496	619,109
Extension youth development	-	-	-	-	10,000
Scholarships	25,500	-	-	25,500	27,250
Personnel	59,275	72,500	189,120	320,895	388,505
Professional fees	-	55,914	873	56,787	48,308
Printing and postage	854	1,160	33,863	35,877	25,497
Supplies	234	937	1,168	2,339	4,757
Telephone	392	784	2,743	3,919	4,830
Equipment and software maintenance	1,412	5,650	7,062	14,124	14,930
Insurance	-	3,401	-	3,401	2,570
Public relations	-	-	20,805	20,805	35,561
Board expense	647	5,173	647	6,467	3,850
Rent	1,648	4,184	6,847	12,679	12,436
Special events	-	-	6,617	6,617	14,962
Staff development and training	-	3,369	-	3,369	3,561
Personnel search expense	-	-	-	-	5,402
Miscellaneous	166	2,418	1,476	4,060	5,028
Bad debt expense	-	-	5,855	5,855	-
Depreciation	119	476	594	1,189	1,824
Total Expenses	$ 486,743	155,966	277,670	920,379	1,228,380

See accompanying notes to the financial statements.

MINNESOTA 4-H FOUNDATION
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

		2015	2014
CASH FLOWS PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES:			
Change in net assets	$	644,263	190,783
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:			
Depreciation		1,189	1,824
Net realized and unrealized gains on investments		(376,614)	(701,036)
Net unrealized losses (gains) on annuity trusts		1,777	(1,596)
Bad debt		5,855	
Contributions received and held for long-term investment		(99,818)	(25,548)
Changes in current assets and liabilities:			
Increase in accounts receivable		(4,576)	(4,304)
Decrease in promises to give		74,689	75,272
Increase in prepaid expenses		(1,527)	(984)
Increase (decrease) in accounts payable		(5,561)	3,401
Increase (decrease) in grants payable		(56,178)	106,470
Increase (decrease) in accrued wages and benefits		(6,006)	3,454
Net Cash Provided By (Used For) Operating Activities		177,493	(352,264)
CASH FLOWS PROVIDED BY (USED FOR)			
INVESTING ACTIVITIES:			
Purchase of investments		(601,392)	(186,983)
Sale of investments		321,894	522,918
Distribution from annuity trust		10,937	-
Net Cash Provided By (Used For) Investing Activities		(268,561)	335,935
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:			
Contributions received and held for long-term investment		99,818	25,548
NET INCREASE IN CASH		8,750	9,219
CASH - BEGINNING OF YEAR		360,988	351,769
CASH - END OF YEAR	$	369,738	360,988

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash is defined as cash in checking and savings.

The net increase in the custodial cash and investments and the corresponding liability for fiscal year 2015 was $152,024. The net increase in the custodial cash and investments and the corresponding liability was $304,161 for fiscal year 2014.

See accompanying notes to the financial statements.

MINNESOTA 4-H FOUNDATION
Notes to the Financial Statements
June 30, 2015
With Comparative Totals for 2014

(1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Minnesota 4-H Foundation (the Foundation) was incorporated December 30, 1980, to receive, hold, invest, and administer assets and to make expenditures to or for the benefit of the programs of 4-H. This includes support of the University of Minnesota Extension Service in such a manner as to best meet the needs and advance the interests of 4-H and associated youth work of the University of Minnesota Extension Service.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as codified by the Financial Accounting Standards Board. Under U.S. GAAP, the Foundation reports information regarding its financial position and activities according to the following three classes of net assets:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation;

- Temporarily restricted net assets consist of contributions and income that have been restricted by the donor for specific purposes or are not available for use until a specific time; and

- Permanently restricted net assets consist of contributions restricted by the donor that stipulate the principal be maintained permanently, but permit the Foundation to use or expend the income derived from the donated assets for specified purposes.

Unrestricted, Temporarily Restricted and Permanently Restricted Revenue and Support

Revenue received without donor restriction is reported as an increase in unrestricted net assets. Support that is restricted by the donor 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 restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and as net assets released from restriction.

(1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (continued)

Economic Dependency

The Foundation is currently dependent on contributed staff from the University of Minnesota Extension to meet the needs of its operations.

Contributed Services

The Foundation has received donated materials and services from the University of Minnesota and other outside organizations. These materials and services meet criteria for recognition as contributions and, accordingly, are reported as contributed services and materials revenue and as program and support service expenses on the statement of activities.

A number of volunteers have made significant donations of their time to the Foundation's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Special Events

The Foundation holds an annual golf event and other special events as a means of fundraising for general operations and other 4-H related programs.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or as decreases of liabilities or expenses, depending on the form of the benefits received. Promises with donor-imposed restrictions are recorded as temporarily or permanently restricted. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Equipment

It is the policy of the Foundation to capitalize equipment purchases of $2,500 or more. Depreciation is provided, using the straight-line method, over the estimated useful life of five years. Contributed equipment is recorded at fair value at the date of donation.

(1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (continued)

Concentrations of Credit Risk Due to Promises to Give and Accounts Receivable

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of promises to give and accounts receivable. Management believes concentrations of credit risk with respect to these promises to give and accounts receivable are limited due to the nature and dollar amounts of the promises and receivables. Promises to give consist of various amounts owed from individuals and corporations. Accounts receivable consist of amounts owed for the golf event and management fees owed from custodial accounts held by the Foundation. As of June 30, 2015 management believes the Foundation had no significant concentrations of credit risk.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains checking and savings accounts at one financial institution located within the Twin Cities. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. The Foundation had approximately $168,000 and $139,000 of uninsured cash as of June 30, 2015 and 2014, respectively.

Concentration of Support

During fiscal year 2015, approximately 20% of the Foundation's total support and revenue was from one donor. There were no concentrations of support during fiscal year 2014.

Allowance for Doubtful Accounts

It is the policy of the Foundation to analyze its accounts receivable and promises to give for collectability, and if necessary, an allowance is provided for uncollectible amounts. When all collection efforts have been exhausted, the uncollectible amounts are written off against the related allowance. During fiscal year 2015, the Foundation identified $5,955 of promises to give as uncollectible and wrote off the promises to give as a bad debt expense. There was no allowance for doubtful accounts receivable or promises to give as of June 30, 2015 and 2014 as management believes all remaining amounts in the promises to give and accounts receivable are collectible.

(1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (continued)

Annuity Trust

The Foundation is a charitable remainder and perpetual beneficiary of trust accounts that are held by the University of Minnesota Foundation. The Foundation records these trusts, after discovery of their existence, at the present value of the estimated future cash receipts from the assets of the trust, as determined by the University of Minnesota Foundation. Because of the complex issues related to collecting the data for these transactions, there can be a time delay in the recording of the asset because of the time needed for discovery, verification of the Foundation's rights, and the determination of the valuation of future payments. The interest rates as determined at the time of the gift used to discount future cash flows of the annuity trusts range from 1.4% to 11.0%.

Custodial Accounts

The Foundation administers the investments of 4-H related organizations. The Foundation records an asset and corresponding liability for the funds received from the organizations who have named themselves as beneficiaries. Any additional deposits, withdrawals, and the net investment income are recorded as an increase or decrease in the asset and liability. At June 30, 2015, the Foundation held cash of $48,197 and investments of $2,567,980 for other 4-H related organizations. At June 30, 2014, the Foundation held cash of $1,999 and investments of $2,462,154 for other 4-H related organizations.

Fund Management Fees

The Foundation charges an annual management fee ranging from 0.50% to 1.0% on custodial accounts and on all endowments held by the Foundation. The fee is calculated based on the principal balance of the funds held at year-end. Certain custodial accounts are not charged a management fee until the principal balance exceeds $50,000.

Functional Allocation of Expenses

The expenses are summarized on a functional basis on the statement of functional expenses. Salaries and related expenses are allocated by function based on job descriptions, time studies, and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on the best estimates of management.

(1) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (continued)

Income Taxes

The Foundation is exempt from federal and state income taxes under Sec 501(c)(3) of the Internal Revenue Code. U.S. GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for fiscal years prior to 2012.

Subsequent Events

Management has evaluated subsequent events for potential disclosure and recognition through September 22, 2015, the date which the financial statements were available for issue.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 these estimates.

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Reclassification

Certain 2014 amounts have been reclassified for comparability purposes with those of 2015.

(2) PROMISES TO GIVE

Promises to give consisted of the following at June 30, 2015 and 2014:

	2015	2014
Promises due in less than one year	$ 15,143	97,688
Promises due in one to five years	12,200	12,250
Promises due in over five years	3,600	-
Less discount to present value	(1,951)	(402)
Net promises to give	$ 28,992	109,536

The interest rates used to discount future cash flows ranged from 1% to 4%.

(3) EQUIPMENT

The Foundation's equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Equipment	$ 44,769	44,769
Less accumulated depreciation	(42,787)	(41,598)
	$ 1,982	3,171

(4) INVESTMENTS

The investments are maintained in a pooled fund by the University of Minnesota Foundation. The fair value of investments as determined by the University of Minnesota Foundation as of June 30, 2015 and 2014 was $9,428,317 and $8,666,379, respectively.

The Foundation has invested these funds in the University of Minnesota Foundation Investment Advisors' Endowment Pool. As of June 30, 2015 and 2014, this pool is invested in the following:

	2015	2014
Global equities	25.2%	22.9%
Fixed income	5.4%	8.7%
Credit	12.1%	5.9%
Marketable alternatives	16.3%	19.1%
Private equity	25.3%	22.0%
Inflation hedge	6.3%	3.6%
Real estate	3.0%	5.2%
Natural resources	6.4%	5.9%
Cash and equivalents	0.0%	6.7%

The investments are subject to certain market and trading fluctuations.

(4) INVESTMENTS, (continued)

Valuation Policy of the University of Minnesota Foundation Investment Advisors

Investments are stated at fair value and are recorded on the trade or contract date. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments include private equity interests, mutual and commingled alternative investments, bonds, notes, and other investments. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the general partner.

The University of Minnesota Foundation Investment Advisors review and evaluate the values provided by the general partner and assess the valuation methods and assumptions used in determining the fair value of private equity investments. Other alternative investments are valued in a variety of ways including various pricing models. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Net investment income consisted of the following at June 30, 2015 and 2014:

	2015	2014
Interest and dividends	$ 30,190	45,962
Realized gains, net	80,178	88,226
Unrealized gains, net	296,436	612,810
Management fees	(91,277)	(83,918)
	$ 315,527	663,080

(5) FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets, such as the New York Stock Exchange.

- Level 2 assets and liabilities are valued using inputs other than unadjusted quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.

(5) FAIR VALUE MEASUREMENTS, (continued)

- Level 3 assets and liabilities are valued using pricing inputs which are unobservable for the asset or liability. Certain assets of the Foundation are recorded at fair value based upon Level 3 inputs. The Foundation's investments are held in a collective/common pooled fund with the University of Minnesota Foundation and do not have an active market price. The valuation of the investments is discussed in footnote 4. The underlying investments of these common/collective pooled funds are global equities, fixed income, credit, marketable alternatives, private equity, inflation hedge, real estate, natural resources, and cash and cash equivalents. The Foundation's annuity trusts are recorded at fair value based upon the life expectancy of the contributor and discounted cash flows.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2015 and 2014 were as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Assets:				
U of M Foundation	$ 9,428,317	-	-	9,428,317
Annuity Trusts	13,142	-	-	13,142
Total Assets	$ 9,441,459	-	-	9,441,459
June 30, 2014				
Assets:				
U of M Foundation	$ 8,666,379	-	-	8,666,379
Annuity Trusts	25,856	-	-	25,856
Total Assets	$ 8,692,235	-	-	8,692,235

(5) FAIR VALUE MEASUREMENTS, (continued)

The following table provides a summary of changes in fair value of the Foundation's level 3 financial assets for the year ended June 30, 2015 and 2014:

		U of M Foundation	Annuity Trusts
Balance at July 1, 2014	$	8,666,379	25,856
Realized gains, net		80,178	-
Unrealized gains (losses), net		296,436	(1,777)
Custodial account activity		105,826	-
Purchase of investments		601,392	-
Sale of investments		(321,894)	-
Distributions		-	(10,937)
Balance at June 30, 2015	$	9,428,317	13,142

		U of M Foundation	Annuity Trusts
Balance at July 1, 2013	$	7,997,117	24,260
Realized gains, net		88,226	-
Unrealized gains, net		612,810	1,596
Custodial account activity		304,161	-
Purchase of investments		186,983	-
Sale of investments		(522,918)	-
Balance at June 30, 2014	$	8,666,379	25,856

(5) FAIR VALUE MEASUREMENTS, (continued)

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Investments	$ 9,428,317	*	N/A	N/A
Annuity Trusts	13,142	*	N/A	N/A

	Fair Value at June 30, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Investments	$ 8,666,379	*	N/A	N/A
Annuity Trusts	25,856	*	N/A	N/A

*The Foundation values these items based upon their undivided interests in these portfolios held by the U of M Foundation.

(6) ENDOWMENT FUNDS

The Foundation's endowments consist of approximately twenty individual funds established to provide for 4-H projects, programs, and scholarships. The Harkness Endowment was established to support the operations of the Foundation itself. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Pursuant to the requirements of Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA), and as interpreted by the Board of Trustees, the Foundation must preserve the original value of the gift from the donor absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of any subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

The 4-H Foundation invests its funds with the University of Minnesota (UMN) Foundation to benefit from economies of scale and expertise. This relationship is disclosed in endowment gift documents. These co-mingled funds are subject to the policies of the UMN Foundation which are wholly consistent with the 4-H Foundation's endowment policies.

(6) ENDOWMENT FUNDS, (continued)

In accordance with 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, and
- The investment policies of the Foundation.

Using these factors, the UMN Foundation makes available for spending a percentage of the endowment funds based upon the endowment funds average total fair value. During fiscal years 2015 and 2014, the spending percentage was 4.5%. The 4-H Foundation then appropriates and distributes monies within the stated purposes of the various endowments.

The Foundation's objective is to achieve an investment return with a moderate level of risk that exceeds the spending policy. Although returns in any given year may vary, the Foundation expects a minimum real rate of return (net of inflation and expenses) of 6% over time, allowing the endowments to grow.

The composition of endowment net assets as of June 30, 2015 and 2014 were as follows:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015					
Donor-restricted	$	-	3,204,527	2,131,318	5,335,845
Board-designated		31,615	-	-	31,615
Total	$	31,615	3,204,527	2,131,318	5,367,460
June 30, 2014					
Donor-restricted	$	-	3,107,031	2,013,240	5,120,271
Board-designated		30,087	-	-	30,087
Total	$	30,087	3,107,031	2,013,240	5,150,358

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level of the original gifts. Deficiencies of this nature are reported as unrestricted net assets per U.S. GAAP.

(6) ENDOWMENT FUNDS, (continued)

The changes in endowment net assets for the year ended June 30, 2015 consisted of the following:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$	30,087	3,107,031	2,013,240	5,150,358
Investment return:					
Interest and dividends, net of fees		(232)	(39,586)	-	(39,818)
Net realized and unrealized appreciation (depreciation)		1,760	304,076	(1,043)	304,793
Total investment return		1,528	264,490	(1,043)	264,975
Contributions and transfers		-	12,250	119,121	131,371
Appropriation of assets for expenditure		-	(179,244)	-	(179,244)
Endowment net assets end of year	$	31,615	3,204,527	2,131,318	5,367,460

The changes in endowment net assets for the year ended June 30, 2014 consisted of the following:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$	25,337	2,885,268	1,986,645	4,897,250
Investment return:					
Interest and dividends, net of fees		(130)	(24,467)	-	(24,597)
Net appreciation (realized and unrealized)		4,880	563,949	1,047	569,876
Total investment return		4,750	539,482	1,047	545,279
Contributions and transfers		-	-	25,548	25,548
Appropriation of assets for expenditure		-	(317,719)	-	(317,719)
Endowment net assets end of year	$	30,087	3,107,031	2,013,240	5,150,358

(7) NET ASSETS

Unrestricted net assets consisted of the following at June 30, 2015 and 2014:

	2015	2014
Unrestricted	$ 207,266	162,966
Designated for the Harkness endowment	31,615	30,087
Total	$ 238,881	193,053

Funds designated by the board for the Harkness endowment are held with the University of Minnesota Foundation in an endowment account.

Temporarily restricted net assets consisted of the following at June 30, 2015 and 2014:

	2015	2014
4-H projects and programs	$ 4,096,598	3,630,028
Scholarships	558,114	459,809
Youth development and leadership	13,565	10,888
General operations	154,069	241,264
Total	$ 4,822,346	4,341,989

Permanently restricted net assets consisted of the following at June 30, 2015 and 2014:

	2015	2014
4-H projects and programs	$ 1,488,809	1,449,624
Scholarships	419,772	340,879
General operations	222,737	222,737
Total	$ 2,131,318	2,013,240

Permanently restricted net assets are endowment investments held with the University of Minnesota Foundation. Each year, 4.5% of the endowment fund balance becomes available to support its restricted purpose. Annual available funds not used continue to be available for future years or reinvested in the principal per their agreements.

(8) LINE OF CREDIT

The Foundation has a line of credit with an available balance of $75,000, a variable interest rate of prime plus 0.5%, and a maturity date of April 17, 2016. Interest is payable monthly with any unpaid interest and principal due at maturity. The interest rate at June 30, 2015 was 4.00%. The line of credit is secured by all assets of the Foundation. There were no borrowings on the line of credit during fiscal year 2015.

(9) GRANTS PAYABLE

The Foundation has made various commitments to provide grants to individuals and organizations. The Foundation records these commitments when approved. The interest rate used to discount future cash flows determined at the date the commitment was made was 2%. Grants payable consisted of the following at June 30, 2015 and 2014:

	2015	2014
Grants payable in less than one year	$ 84,952	102,683
Grants payable in one to five years	-	40,000
Less discount to present value	-	(1,553)
Net grants payable	$ 84,952	141,130

(10) LEASE

The Foundation has an operating lease with the University of Minnesota for rental of office space. Rent expense for fiscal years 2015 and 2014 was $12,679 and $12,436, respectively.

The operating lease was set to expire on June 30, 2015. The Foundation has five annual options to renew its lease for another year and must exercise its renewal option at least 90 days prior to the expiration of the lease. The Foundation has exercised its third of five renewal options for fiscal year 2016 with annual rent of $12,934. The lease will now expire on June 30, 2016. The Foundation intends to continue to exercise its renewal options. The lease requires the Foundation to pay the entire annual rent at the beginning of the lease year.

(11) CONTRIBUTED SERVICES AND MATERIALS

Contributed services and materials consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Salaries and benefits	$ 157,677	112,968
Professional services	10,700	9,615
ATVs for 4-H programs	19,395	-
Printing, supplies and other general office support	3,090	2,449
Total	$ 190,862	125,032

(12) RELATED PARTY TRANSACTIONS

The Foundation received supplies and printing services from outside firms in which board members of the Foundation are the owners. In 2015 and 2014, the Foundation paid $14,158 and $10,896, respectively, to the outside firms.