

MINNESOTA INTERNATIONAL CENTER
AUDITED FINANCIAL STATEMENTS
June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota International Center
Minneapolis, Minnesota

We have audited the accompanying financial statements of Minnesota International Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses 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 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 Minnesota International Center as of June 30, 2015 and 2014, 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.

Harrington Langer & Associates

October 15, 2015

MINNESOTA INTERNATIONAL CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 829,493	\$ 608,016
Accounts receivable	16,586	10,959
Pledges receivable, current portion	104,939	172,900
Grants receivable, current portion	39,000	39,000
In-kind contributions on hand	4,578	3,523
Prepaid expenses	<u>20,674</u>	<u>17,865</u>
TOTAL CURRENT ASSETS	<u>1,015,270</u>	<u>852,263</u>
PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	123,011	112,716
Leasehold improvements	<u>2,900</u>	<u>3,540</u>
	125,911	116,256
Less: accumulated depreciation	<u>(87,463)</u>	<u>(77,311)</u>
TOTAL PROPERTY AND EQUIPMENT, net	<u>38,448</u>	<u>38,945</u>
OTHER ASSETS		
Investments	797,229	803,734
Pledges receivable, net of current portion	18,183	11,667
Grants receivable, net of current portion	39,000	-
Interest in charitable trust	<u>41,584</u>	<u>44,137</u>
TOTAL OTHER ASSETS	<u>895,996</u>	<u>859,538</u>
TOTAL ASSETS	<u><u>\$ 1,949,714</u></u>	<u><u>\$ 1,750,746</u></u>

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligations	\$ -	\$ 1,454
Accounts payable	21,534	16,050
Accrued expenses	<u>15,129</u>	<u>18,482</u>
TOTAL LIABILITIES	<u>36,663</u>	<u>35,986</u>
NET ASSETS		
Unrestricted		
Board designated reserve	255,358	257,078
Undesignated	<u>168,902</u>	<u>136,327</u>
Total Unrestricted	424,260	393,405
Temporarily restricted	1,047,224	869,731
Permanently restricted	<u>441,567</u>	<u>451,624</u>
TOTAL NET ASSETS	<u>1,913,051</u>	<u>1,714,760</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,949,714</u></u>	 <u><u>\$ 1,750,746</u></u>

MINNESOTA INTERNATIONAL CENTER
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					
Foundations and grants	\$ 50,500	\$ -	\$ -	\$ 50,500	\$ 59,878
Public contributions	429,080	369,674	-	798,754	697,670
Government grants	63,428	114,842	-	178,270	110,894
Program income	62,797	350	-	63,147	60,017
Annual gala, net	179,429	-	-	179,429	139,285
In-kind contributions	14,892	4,578	-	19,470	45,123
Realized and unrealized investment gain	639	14,147	795	15,581	104,909
Interest and dividend income, net of fees	(2,664)	3,573	(2,235)	(1,326)	(1,119)
Miscellaneous	10	-	-	10	-
Net assets released from restrictions	338,288	(329,671)	(8,617)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,136,399</u>	<u>177,493</u>	<u>(10,057)</u>	<u>1,303,835</u>	<u>1,216,657</u>
EXPENSES					
Program services	862,370	-	-	862,370	810,070
Management and general	108,076	-	-	108,076	96,388
Development	135,098	-	-	135,098	193,620
TOTAL EXPENSES	<u>1,105,544</u>	<u>-</u>	<u>-</u>	<u>1,105,544</u>	<u>1,100,078</u>
CHANGE IN NET ASSETS	30,855	177,493	(10,057)	198,291	116,579
NET ASSETS, BEGINNING	<u>393,405</u>	<u>869,731</u>	<u>451,624</u>	<u>1,714,760</u>	<u>1,598,181</u>
NET ASSETS, ENDING	<u>\$ 424,260</u>	<u>\$ 1,047,224</u>	<u>\$ 441,567</u>	<u>\$ 1,913,051</u>	<u>\$ 1,714,760</u>

MINNESOTA INTERNATIONAL CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Foundations and grants	\$ 54,878	\$ 5,000	\$ -	\$ 59,878
Public contributions	373,248	324,422	-	697,670
Government grants	12,649	98,245	-	110,894
Program income	59,837	180	-	60,017
Annual gala, net	139,285	-	-	139,285
In-kind contributions	42,182	2,941	-	45,123
Realized and unrealized investment gain	25,996	38,823	40,090	104,909
Interest and dividend income, net of fees	(2,581)	3,578	(2,116)	(1,119)
Net assets released from restrictions	425,870	(417,728)	(8,142)	-
TOTAL SUPPORT AND REVENUE	<u>1,131,364</u>	<u>55,461</u>	<u>29,832</u>	<u>1,216,657</u>
EXPENSES				
Program services	810,070	-	-	810,070
Management and general	96,388	-	-	96,388
Development	193,620	-	-	193,620
TOTAL EXPENSES	<u>1,100,078</u>	<u>-</u>	<u>-</u>	<u>1,100,078</u>
CHANGE IN NET ASSETS	31,286	55,461	29,832	116,579
NET ASSETS, BEGINNING	<u>362,119</u>	<u>814,270</u>	<u>421,792</u>	<u>1,598,181</u>
NET ASSETS, ENDING	<u>\$ 393,405</u>	<u>\$ 869,731</u>	<u>\$ 451,624</u>	<u>\$ 1,714,760</u>

MINNESOTA INTERNATIONAL CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 198,291	\$ 116,579
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,152	28,397
Interest and dividends reinvested, net of fees	1,022	778
Realized and unrealized gain on investments	(18,134)	(102,297)
Change in interest in charitable trust	2,553	(2,635)
Change in in-kind contributions on hand	(1,055)	(2,359)
(Increase) decrease in:		
Accounts receivable	(5,627)	17,482
Pledges receivable	61,445	33,683
Grants receivable	(39,000)	69,793
Prepaid expenses	(2,809)	(4,173)
(Decrease) increase in:		
Accounts payable	5,484	(5,680)
Accrued expenses	(3,353)	2,416
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>208,969</u>	 <u>151,984</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,655)	(34,444)
Cash proceeds from investments	<u>23,617</u>	<u>33,451</u>
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>13,962</u>	 <u>(993)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(1,454)</u>	<u>(2,710)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 221,477	 148,281
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>608,016</u>	 <u>459,735</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 829,493</u></u>	 <u><u>\$ 608,016</u></u>
 SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 40	\$ 304

MINNESOTA INTERNATIONAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Program Services					Support Services		Total 2015	Total 2014
	Global Education	Great Decisions	IVLP	World Affairs Program	Total Program Services	Development	Management and General		
Salaries	\$ 172,406	\$ 86,575	\$ 162,752	\$ 87,146	\$ 508,879	\$ 89,474	\$ 73,182	\$ 671,535	\$ 662,083
Payroll taxes	13,497	6,816	12,741	6,858	39,912	7,151	5,904	52,967	47,398
Employee benefits	11,271	6,896	8,939	6,615	33,721	6,205	5,795	45,721	58,728
Total Personnel Expenses	197,174	100,287	184,432	100,619	582,512	102,830	84,881	770,223	768,209
Representation	2,106	2,323	5,462	9,236	19,127	1,655	183	20,965	14,694
Professional development	653	72	1,692	656	3,073	271	44	3,388	714
Professional fees	8,261	5,210	7,998	5,240	26,709	2,408	1,517	30,634	24,856
Program food/beverage	8,652	5,937	7,675	45,884	68,148	350	1,198	69,696	70,657
Program events	16,753	2,415	851	22,694	42,713	240	129	43,082	25,803
Advertising and promotion	643	561	98	832	2,134	594	8	2,736	1,180
Resource materials	3,967	9,079	21	276	13,343	17	9	13,369	12,503
Internet	53	33	52	32	170	1,303	8	1,481	1,017
Audit/accounting	654	545	224	845	2,268	2,591	9,917	14,776	14,695
Supplies	1,292	706	1,215	1,215	4,428	915	684	6,027	8,986
Telephone	1,665	1,032	2,035	1,011	5,743	1,439	651	7,833	9,011
Postage	1,396	1,287	1,227	786	4,696	1,601	83	6,380	7,277
Dues and subscriptions	149	92	444	3,665	4,350	1,791	60	6,201	7,039
Printing	6,361	3,943	6,176	4,087	20,567	2,178	737	23,482	27,476
Insurance	1,273	789	1,232	773	4,067	972	517	5,556	6,441
Repairs and maintenance	3,230	2,002	3,126	1,960	10,318	2,467	1,337	14,122	16,281
Occupancy	12,635	7,832	12,232	7,670	40,369	9,651	5,130	55,150	45,687
Utilities	-	-	-	-	-	-	-	-	3,319
Relocation	64	39	61	39	203	48	-	251	5,532
Interest	-	-	-	-	-	-	40	40	304
Depreciation	2,326	1,442	2,252	1,412	7,432	1,777	943	10,152	28,397
Total Expenses	\$ 269,307	\$ 145,626	\$ 238,505	\$ 208,932	\$ 862,370	\$ 135,098	\$ 108,076	\$ 1,105,544	\$ 1,100,078

See notes to financial statements

MINNESOTA INTERNATIONAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services					Support Services		
	Global Education	Great Decisions	IVLP	World Affairs Program	Total Program Services	Development	Management and General	Total
Salaries	\$ 146,837	\$ 95,559	\$ 151,461	\$ 78,456	\$ 472,313	\$ 127,857	\$ 61,913	\$ 662,083
Payroll taxes	10,574	6,724	11,226	5,497	34,021	8,929	4,448	47,398
Employee benefits	11,470	8,738	15,315	7,176	42,699	12,558	3,471	58,728
Total Personnel Expenses	168,881	111,021	178,002	91,129	549,033	149,344	69,832	768,209
Representation	4,024	144	4,503	3,962	12,633	1,952	109	14,694
Professional development	132	35	405	35	607	93	14	714
Professional fees	6,502	4,124	6,270	4,145	21,041	2,811	1,004	24,856
Program food/beverage	10,068	4,429	4,711	46,438	65,646	1,371	3,640	70,657
Program events	7,357	876	527	16,829	25,589	214	-	25,803
Advertising and promotion	190	121	183	387	881	-	299	1,180
Resource materials	3,584	8,700	-	85	12,369	134	-	12,503
Internet	28	18	27	18	91	926	-	1,017
Audit/accounting	508	458	126	1,236	2,328	2,790	9,577	14,695
Supplies	2,135	1,253	2,004	1,374	6,766	1,421	799	8,986
Telephone	1,945	1,234	2,369	1,240	6,788	1,501	722	9,011
Postage	1,045	1,303	897	732	3,977	3,215	85	7,277
Dues and subscriptions	300	440	590	3,834	5,164	1,763	112	7,039
Printing	5,535	3,511	5,338	3,529	17,913	8,758	805	27,476
Insurance	1,493	947	1,439	952	4,831	1,056	554	6,441
Repairs and maintenance	3,773	2,393	3,639	2,406	12,211	2,670	1,400	16,281
Occupancy	10,588	6,716	10,212	6,751	34,267	7,491	3,929	45,687
Utilities	769	488	742	490	2,489	545	285	3,319
Relocation	1,282	813	1,236	817	4,148	908	476	5,532
Interest	-	-	-	-	-	-	304	304
Depreciation	6,581	4,174	6,347	4,196	21,298	4,657	2,442	28,397
Total Expenses	\$ 236,720	\$ 153,198	\$ 229,567	\$ 190,585	\$ 810,070	\$ 193,620	\$ 96,388	\$ 1,100,078

See notes to financial statements

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Minnesota International Center (MIC) is a nonprofit, nonpartisan, member-supported organization that offers a variety of educational, cultural, and business-themed opportunities focused on global topics. Our rich and varied programs are designed for individuals from Minnesota to connect with others from around the globe, serve as citizen diplomats, and gain a deeper understanding of the world. MIC is unparalleled in its ability to deliver programs that allow Minnesotans to connect and participate in the international sphere, and for Minnesota to extend its influence around the globe. MIC's mission is to promote international understanding and engagement: we educate, we inspire, and we provide enriching experiences. And, we are committed to serving Minnesota from a foundation built on values of trust, collaboration, global competency, nonpartisanship, intercultural communication, hospitality, and stewardship.

MIC was founded in 1953 as a welcoming organization for international students, scholars, and visitors who came to Minnesota. It was created as a University-community partnership that engaged 'citizen diplomats' to connect Minnesotans with these visiting students. In the past 60 years, MIC has evolved from its direct service roots into a multifaceted nonpartisan organization providing globally-focused educational opportunities for people of all ages across Minnesota. MIC membership consists of approximately 1,500 individual members and more than 40 corporate members. MIC is a member of the National World Affairs Councils of America; a member of Global Ties U.S., the nonprofit arm of the U.S. Department of State's International Visitors Leadership Program; and an affiliate of the Foreign Policy Association.

MIC achieves its goals through four distinct program areas:

International Visitor Leadership Program (IVLP) is the U.S. Department of State's professional exchange program, bringing international emerging leaders to Minnesota for cultural and professional exchange opportunities. MIC serves as Minnesota's coordinator for visitors and resources and arranges meetings between the two that foster awareness about international issues and cultivate effective exchange of industry best practices. Minnesota is one of the top destinations for visitors, and MIC hosts approximately 400 program participants from more than 120 countries each year.

Global Education Program is MIC's K-12 education initiative, providing Minnesota students with high-quality resources on global issues to enhance curricula and build the necessary skills to live, work, and lead in a global society. The program includes the following three components:

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Classroom Connection, for elementary school children, enhances curricula around global competencies. MIC trains international speakers for a series of three cultural conversations and presentations to each classroom. MIC piloted Classroom Connection and engaged 620 students for more than 2,000 contact hours. In 2015-16, Classroom Connection will grow by 200%.
- Academic WorldQuest is an opportunity for Minnesota high school students to raise their international IQ through a globally focused competition. This past year, 132 students competing on 33 teams participated in Academic WorldQuest.
- MIC's Great Decisions in the Schools is a way for students to have increased access to objective, in-depth, contextual information about global issues.

World Affairs Program, the public face of MIC, brings in dignitaries and experts for programs that go beyond the headlines and build cultural and economic connections to our state. The program connects some of the world's best thinkers in global affairs with corporate and community audiences. This past year, MIC presented 25 community events with total attendance of more than 2,200.

Great Decisions Program is America's largest community discussion program on world affairs, sponsored by the Foreign Policy Association. MIC coordinates the largest Great Decisions program in the country manages groups, speakers, and builds additional programs around the eight critical topics including a free monthly presentation by a local expert. MIC also collaborates with the Minneapolis *Star Tribune* to present monthly opinions on a Great Decisions topic. This past year, 52 groups convened 283 Great Decisions meetings with total attendance of more than 8,500.

This year's gala, Celebration of Germany, raised nearly \$304,000 to support MIC's work and mission, including \$44,000 specifically designated to help our Classroom Connection program.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances at several financial institutions that are insured by the FDIC up to \$250,000. At June 30, 2015 and 2014, the Organization's uninsured cash balances were \$311,298 and \$341,123 respectively.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts:

The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At June 30, 2015 and 2014, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Restricted Net Assets:

Temporarily restricted net assets are those that are used by the Organization and have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

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 the reported amounts of assets and liabilities and disclosures 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 those estimates.

Support and Revenue:

Contributions received and unconditional promises to give are measured at their fair market value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred with the accrual basis of accounting.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions:

Donated goods, equipment, services, and facilities are recorded at fair value at the date of donation. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation.

Functional Allocation of Expenses:

The costs of services provided and expenses are allocated among the programs and supporting services benefited based on usage or full-time equivalent employees.

Advertising:

Advertising costs are charged to expense as incurred. During the years ended June 30, 2015 and 2014, advertising costs were \$2,356 and \$4,324 respectively.

Investments:

Investments are stated at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the increase (decrease) in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment:

Assets acquired by purchase are stated at cost. Assets acquired by gift, if material, are stated at their fair market value at the time of the donation.

Depreciation is computed over the estimated useful lives of the assets by the straight-line method. The following estimated useful lives are used in computing depreciation:

	<u>Years</u>
Furniture and equipment	5 - 7
Leasehold improvements	7 - 25

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$10,152 and \$28,397, respectively.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes:

The Organization operates as a charitable organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes.

Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 15, 2015 the date the financial statements were available to be issued.

NOTE 2. BORROWING ARRANGEMENTS

The Organization maintains credit arrangements upon which they can borrow up to \$19,000. Balances on these accounts accrue interest at approximately 12%. These accounts are unsecured. Outstanding balances on these accounts totaled \$6,720 and \$8,031 for the years ended June 30, 2015 and 2014, respectively.

During the fiscal year ended June 30, 2014, the Organization maintained a \$50,000 line of credit with Sunrise Banks, expiring February 2014. Advances on this line of credit accrued interest at the bank's prime rate plus 1.0% with a floor of 6.0% (6.0% for the fiscal year ended June 30, 2014). The line was secured by equipment of the Organization. The line was not renewed in February of 2014.

NOTE 3. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable were as follows as of June 30, 2015 and 2014:

	2015	2014
Receivable in:		
Less than one year	\$ 143,939	\$ 211,900
One to five years	57,183	11,667
	<u>\$ 201,122</u>	<u>\$ 223,567</u>

At June 30, 2015 and 2014, management considered all pledges and grants receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PLEDGES AND GRANTS RECEIVABLE (continued)

During the year ended June 30, 2011, the Organization received a multi-year pledge to give totaling \$100,000. This pledge is contingent on current tax laws remaining substantially the same. As of June 30, 2015, the Organization had received \$100,000 of this pledge, which is recognized in the accompanying financial statements.

NOTE 4. INTEREST IN CHARITABLE TRUST

The Organization is a 40% remainder beneficiary of the Bonnie Skelton Charitable Remainder Trust. The Organization reports its beneficial interest in the assets of the Trust at fair value. The change in the fair value is included in investment income on the accompanying Statement of Activities. As of June 30, 2015 and 2014, the Organization's beneficial interest amounted to \$41,584 and \$44,137, respectively.

NOTE 5. FAIR VALUE MEASUREMENT AND INVESTMENTS

Generally accepted accounting principles (GAAP) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a framework for measuring fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENT AND INVESTMENTS (continued)

Mutual funds: Valued at the closing net asset value (NAV) of shares held at the fiscal year end. If the mutual fund makes its net asset values publicly available daily to set the price for purchases and redemptions the following day, the mutual fund is categorized as within Level 1.

Investments held at Minneapolis Foundation (Note 6): Valued at the unit value reported by the Foundation based on the quoted prices of the underlying investment holdings.

The following table represents the fair value measurements of assets recognized in the statements of financial position that are measured on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
2015			
Investments held at Minneapolis Foundation	\$ 496,925	\$ -	\$ 496,925
Mutual funds	300,304	300,304	-
Interest in Charitable Trust	41,584	-	41,584
	<u>\$ 838,813</u>	<u>\$ 300,304</u>	<u>\$ 538,509</u>
		Quoted Prices In Active Markets for	Significant Other Observable
2014	Fair Value	(Level 1)	(Level 2)
Investments held at Minneapolis Foundation	\$ 508,702	\$ -	\$ 508,702
Mutual funds	295,032	295,032	-
Interest in Charitable Trust	44,137	-	44,137
	<u>\$ 847,871</u>	<u>\$ 295,032</u>	<u>\$ 552,839</u>

At June 30, 2015 and 2014, investments consisted of the following:

	<u>2015</u>	<u>2014</u>
Investments held at Minneapolis Foundation	\$ 496,925	\$ 508,702
Mutual funds	<u>300,304</u>	<u>295,032</u>
	<u>\$ 797,229</u>	<u>\$ 803,734</u>

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENT AND INVESTMENTS (continued)

Investment income was as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Dividends and interest, net of fees	\$ (1,327)	\$ (1,119)
Net realized and unrealized gains	15,581	104,909
	<u>\$ 14,254</u>	<u>\$ 103,790</u>

NOTE 6. ENDOWMENT FUNDS

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of MIC has interpreted the 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (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. 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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 purposes 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

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT FUNDS (continued)

The Organization has adopted investment and spending policies for investment assets to support the mission by providing earnings and capital appreciation to support agency programs, capital expenditures, and board-directed initiatives through a strategic plan that strives to maintain and grow the investment corpus and provide annual operating earnings to support MIC's mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as temporarily restricted funds and board-designated funds.

Board Designated Reserve:

The Board of Directors of the Organization initiated a board designated reserve fund in 1983. This fund is managed by the Minneapolis Foundation (the Foundation), which invests in diversified equity and fixed income funds. The Fund is carried at the fair value of the underlying securities as reported to the Foundation. The endowment assets are invested in a manner that is intended to preserve the principal with medium to high appreciating potential under the Foundation's investment strategy. The market value of the fund was \$255,358 and \$257,078 as of June 30, 2015 and 2014, respectively. Investment expenses associated with this fund were \$2,359 and \$2,240 for the years ended June 30, 2015 and 2014, respectively. Income from the board designated reserve fund is available for operating purposes.

Permanently Restricted – Building New Bridges: Cornerstone Fund:

In fiscal 1994, the Board of Directors initiated a Building New Bridges Campaign by establishing an endowment fund known as the Cornerstone Fund through the Minneapolis Foundation (the Foundation). The Fund is carried at the fair value of the underlying securities as reported to the Foundation. Limitations exist that preclude the use of net gains for operating purposes. The endowment assets are invested in a manner that is intended to provide capital appreciation to provide support and grow real purchasing power of assets under the Foundation's investment strategy. The Foundation limits the release of funds to 4 percent of the underlying assets, based upon a three-year quarterly moving average value of the assets. When gains (losses) are released, they are recorded as unrestricted investment gains (losses) when received. The market value of the fund was \$241,567 and \$251,624 as of June 30, 2015 and 2014, respectively. Investment income (loss) (net of fees), including realized and unrealized gains (losses), was \$(1,440) and \$37,974 for the years ended June 30, 2015 and 2014, respectively.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT FUNDS (continued)

Temporarily Restricted - Building New Bridges: Opportunities Fund:

In fiscal 1994, the Board of Directors initiated a Building New Bridges Campaign by establishing a donor advised fund known as the MIC Opportunities Fund through the Minneapolis Foundation (the Foundation). The Fund is carried at the fair value of the underlying securities as reported to the Foundation. The Foundation may accept contributions to the Fund from any individual or corporate donor, and from the Organization itself. The endowment assets are invested in a manner that is intended to earn the highest possible return under the Foundation's investment strategy. Income or principal from the Fund shall be distributed to the Organization to carry out its general charitable purposes. Upon the Organization ceasing to exist or becoming incapable of fulfilling its mission, the Foundation shall substitute as the designated beneficiary of the Fund, an organization exempt from tax under section 501(c)(3) of the Internal Revenue Code. There was no balance in this Fund at June 30, 2015 and 2014.

Permanently Restricted – SIT Investment Associates Endowment Campaign:

In fiscal year 2008, the Board of Directors initiated an Endowment Campaign by establishing a donor advised fund through the SIT Investment Associates Foundation. The SIT Investment Associates Foundation may accept contributions to the Fund from any individual or corporate donor, and from the Organization itself. The endowment assets are invested in a manner that is intended to earn the highest possible return under the SIT Investment Associates' investment strategy. The fund was required to be invested in SIT Mutual Funds through December 31, 2013. Income or principal from the Fund shall be distributed to the Organization to carry out its general charitable purposes. The Organization may withdraw 5% of the account's value annually for operations. The original gift instrument does not explicitly state the portion of the Fund that must be maintained in perpetuity. Therefore, during the year ended June 30, 2011, the Board determined that the portion of the Fund that should be maintained (preserved) permanently consistent with the relevant law to be the original gift amount, which amounted to \$200,000. The Fund balance at June 30, 2015 and 2014 totaled \$300,304 and \$295,032, respectively.

Endowment net asset composition by type of fund at June 30, 2015 and 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015				
Donor restricted	\$ -	\$ 100,304	\$ 441,567	\$ 541,871
Board designated	255,358	-	-	255,358
	<u>\$ 255,358</u>	<u>\$ 100,304</u>	<u>\$ 441,567</u>	<u>\$ 797,229</u>

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT FUNDS (continued)

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 95,032	\$ 451,624	\$ 546,656
Board designated	257,078	-	-	257,078
	<u>\$ 257,078</u>	<u>\$ 95,032</u>	<u>\$ 451,624</u>	<u>\$ 803,734</u>

Changes in endowment net assets for the years ended June 30, 2015 and 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, 7/1/13	\$ 233,299	\$ 80,575	\$ 421,792	\$ 735,666
Investment return:				
Interest and dividends	-	3,578	-	3,578
Management fees	(2,240)	-	(2,116)	(4,356)
Realized and unrealized gains	26,019	36,188	40,090	102,297
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(25,309)</u>	<u>(8,142)</u>	<u>(33,451)</u>
Endowment, 6/30/14	257,078	95,032	451,624	803,734
Investment return:				
Interest and dividends	-	3,573	-	3,573
Management fees	(2,359)	-	(2,235)	(4,594)
Realized and unrealized gains	639	16,699	795	18,133
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(15,000)</u>	<u>(8,617)</u>	<u>(23,617)</u>
Endowment, 6/30/15	<u>\$ 255,358</u>	<u>\$ 100,304</u>	<u>\$ 441,567</u>	<u>\$ 797,229</u>

NOTE 7. LEASE COMMITMENTS

During the year ended June 30, 2015, the Organization entered into an operating lease agreement for office space expiring December 31, 2018. Rent expense under this lease was \$54,185 and \$26,824 for the years ended June 30, 2015 and 2014, respectively.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LEASE COMMITMENTS (continued)

As of June 30, 2015, future minimum payments under this lease were as follows:

Year Ending June 30,	Amount
2016	55,268
2017	56,374
2018	28,466
	\$ 140,108

During the year ended June 30, 2010, the Organization entered into a capital lease for office equipment. This lease expired during the year ending June 30, 2015.

Equipment recorded under capital leases as of June 30, 2015 and 2014 was as follows:

	2015	2014
Cost	\$ 11,875	\$ 11,875
Less: accumulated depreciation	(11,875)	(11,083)
Net book value	\$ -	\$ 792

NOTE 8. IN-KIND CONTRIBUTIONS

Until January 31, 2014, office space occupied by the Organization was leased from the University of Minnesota for a nominal fee. The difference between the nominal fee and the market value of the rent is recognized as an in-kind donation of \$18,508 in 2014. Currently, the Organization leases office space from the university at a market rate (NOTE 7). The Organization had received donated goods and equipment totaling \$19,470 and \$26,615 in 2015 and 2014, respectively. The Organization also had assistance from approximately 778 and 693 volunteers in 2015 and 2014, respectively, many of whom donated significant amounts of their time for the Organization's program services. No amounts have been reflected in these financial statements for these donations because the services did not fit the requirements of generally accepted accounting principles.

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 9. RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
The sources for temporarily restricted assets:		
Unappropriated earnings on SIT Investments		
Endowment Fund (NOTE 6)	\$ 100,304	\$ 95,032
Interest in charitable trust	41,584	44,137
Target	10,000	-
Global Ties	36,842	98,245
Anonymous gifts	-	10,000
State of Minnesota	78,000	39,000
Anonymous Major Gifts Campaign	542,119	390,321
Fund-A-Need contributions and pledges	44,673	62,793
3M Foundation	20,000	20,000
Equipment Fund-A-Need	19,064	22,521
Technology Fund-A-Need	8,562	-
Leasehold Improvements Major Gifts	2,233	-
Relocation Furn & Fixtures Major Gifts	706	-
Carlson Family Foundation	50,000	-
Delta Airlines travel vouchers held for use	4,578	3,523
Education Minnesota	-	5,000
Young Professionals and Culture thru Cuisine	350	180
Corporate membership	61,209	66,979
SIT Foundation Draw	27,000	12,000
	<u>\$ 1,047,224</u>	<u>\$ 869,731</u>
Temporarily restricted for the following activities:		
Program Support	\$ 174,511	\$ 131,990
General Operations	725,597	549,073
International Visitor Leadership Program	49,842	120,245
Academic WorldQuest	23,367	43,423
Classroom Connection	73,907	25,000
	<u>\$ 1,047,224</u>	<u>\$ 869,731</u>
Permanently restricted:		
Endowment Funds (NOTE 6)	<u>\$ 441,567</u>	<u>\$ 451,624</u>

MINNESOTA INTERNATIONAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS

The Organization established a 403(b) defined contribution plan effective January 1, 1998, which covers substantially all employees. After fifteen months of employment, the Organization makes contributions on behalf of participants at three percent of each participant's annual compensation. Participants are one hundred percent vested in any contributions made by the Organization on their behalf. During the years ended June 30, 2015 and 2014, the Organization contributed \$14,602 and \$14,397, respectively, to the plan.

NOTE 11. ANNUAL GALA

The annual gala event was held during the years ended June 30, 2015 and 2014 for fundraising purposes. The total receipts, expenses, and net earnings at June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Annual gala receipts	\$ 260,272	\$ 216,220
Less: gala expenses	<u>(80,843)</u>	<u>(76,935)</u>
Annual gala, net	<u><u>\$ 179,429</u></u>	<u><u>\$ 139,285</u></u>

Development expense reported on the statements of activities includes annual gala expenses of \$9,148 and \$17,164 during 2015 and 2014, respectively, which consisted of donated services and in-kind gifts. The 2015 and 2014 annual galas also raised \$43,907 and \$45,150, of temporarily restricted revenue dedicated to the Global Education Program for the fiscal years ended June 30, 2016 and 2015, respectively.