

GLOBAL MINNESOTA
AUDITED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Minnesota
Minneapolis, Minnesota

We have audited the accompanying financial statements of Global Minnesota (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 Global Minnesota as of June 30, 2018 and 2017, 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 Lange & Associates

September 6, 2018

GLOBAL MINNESOTA
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 711,393	\$ 493,291
Accounts receivable	3,831	20,503
Pledges receivable, current portion	81,375	163,778
Grants receivable, current portion	108,000	39,000
In-kind contributions on hand	-	1,118
Prepaid expenses	39,027	22,834
	943,626	740,524
PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	129,916	124,064
Leasehold improvements	2,900	2,900
	132,816	126,964
Less: accumulated depreciation	(104,971)	(94,800)
	27,845	32,164
OTHER ASSETS		
Investments	839,353	825,079
Grants receivable, net of current portion	-	39,000
Interest in charitable trust	39,021	39,454
	878,374	903,533
TOTAL ASSETS	\$ 1,849,845	\$ 1,676,221

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,953	\$ 6,577
Accrued expenses	<u>23,546</u>	<u>21,743</u>
TOTAL LIABILITIES	<u>40,499</u>	<u>28,320</u>
NET ASSETS		
Unrestricted		
Board designated reserve	260,322	270,214
Board designated Major Gifts campaign	205,383	-
Board designated Board Approved Draws	23,666	-
Undesignated	<u>154,847</u>	<u>159,147</u>
Total unrestricted	644,218	429,361
Temporarily restricted	713,388	775,042
Permanently restricted	<u>451,740</u>	<u>443,498</u>
TOTAL NET ASSETS	<u>1,809,346</u>	<u>1,647,901</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,849,845</u></u>	 <u><u>\$ 1,676,221</u></u>

GLOBAL MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(With Comparative Totals For 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
SUPPORT AND REVENUE					
Foundations and grants	\$ 53,300	\$ -	\$ -	\$ 53,300	\$ 61,570
Public contributions	623,571	221,264	-	844,835	671,298
Government grants	95,583	52,500	-	148,083	178,862
Program income	66,319	4,285	-	70,604	149,540
Annual gala, net	201,219	-	-	201,219	141,270
In-kind contributions	15,824	-	-	15,824	13,276
Realized and unrealized investment gain	16,455	14,493	19,890	50,838	89,202
Interest and dividend income (loss), net of fees	(2,876)	15,998	(2,335)	10,787	(1,660)
Miscellaneous	1,282	-	-	1,282	11,747
Net assets released from restrictions	379,507	(370,194)	(9,313)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,450,184</u>	<u>(61,654)</u>	<u>8,242</u>	<u>1,396,772</u>	<u>1,315,105</u>
EXPENSES					
Program services	958,599	-	-	958,599	1,026,286
Management and general Development	124,159	-	-	124,159	118,783
	152,569	-	-	152,569	166,954
TOTAL EXPENSES	<u>1,235,327</u>	<u>-</u>	<u>-</u>	<u>1,235,327</u>	<u>1,312,023</u>
CHANGE IN NET ASSETS	214,857	(61,654)	8,242	161,445	3,082
NET ASSETS, BEGINNING	<u>429,361</u>	<u>775,042</u>	<u>443,498</u>	<u>1,647,901</u>	<u>1,644,819</u>
NET ASSETS, ENDING	<u>\$ 644,218</u>	<u>\$ 713,388</u>	<u>\$ 451,740</u>	<u>\$ 1,809,346</u>	<u>\$ 1,647,901</u>

GLOBAL MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Foundations and grants	\$ 61,570	\$ -	\$ -	\$ 61,570
Public contributions	405,275	266,023	-	671,298
Government grants	65,546	113,316	-	178,862
Program income	147,210	2,330	-	149,540
Annual gala, net	141,270	-	-	141,270
In-kind contributions	12,158	1,118	-	13,276
Realized and unrealized investment gain	24,052	33,539	31,611	89,202
Interest and dividend income (loss), net of fees	(2,655)	3,328	(2,333)	(1,660)
Miscellaneous	5,562	6,185	-	11,747
Net assets released from restrictions	456,148	(446,778)	(9,370)	-
TOTAL SUPPORT AND REVENUE	<u>1,316,136</u>	<u>(20,939)</u>	<u>19,908</u>	<u>1,315,105</u>
EXPENSES				
Program services	1,026,286	-	-	1,026,286
Management and general Development	118,783	-	-	118,783
	166,954	-	-	166,954
TOTAL EXPENSES	<u>1,312,023</u>	<u>-</u>	<u>-</u>	<u>1,312,023</u>
CHANGE IN NET ASSETS	4,113	(20,939)	19,908	3,082
NET ASSETS, BEGINNING	<u>425,248</u>	<u>795,981</u>	<u>423,590</u>	<u>1,644,819</u>
NET ASSETS, ENDING	<u>\$ 429,361</u>	<u>\$ 775,042</u>	<u>\$ 443,498</u>	<u>\$ 1,647,901</u>

GLOBAL MINNESOTA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 161,445	\$ 3,082
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,171	9,050
Interest and dividends reinvested, net of fees	(10,982)	1,518
Realized and unrealized gain on investments	(51,271)	(88,835)
Change in interest in charitable trust	433	(367)
Change in in-kind contributions on hand	1,118	(1,118)
(Increase) decrease in:		
Accounts receivable	16,672	15,825
Pledges receivable	82,403	(13,663)
Grants receivable	(30,000)	(39,000)
Prepaid expenses	(16,193)	(2,309)
(Decrease) increase in:		
Accounts payable	10,376	(31,014)
Accrued expenses	1,803	(1,744)
	<u>175,975</u>	<u>(148,575)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,852)	(10,694)
Cash proceeds from investments	47,979	24,370
	<u>42,127</u>	<u>13,676</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,102	(134,899)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>493,291</u>	<u>628,190</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 711,393</u>	<u>\$ 493,291</u>

GLOBAL MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services				Support Services				Total 2018	Total 2017
	Global Education	Great Decisions	IVLP	World Affairs Program	Total Program Services	Development	Management and General			
Salaries	\$ 174,867	\$ 100,790	\$ 210,405	\$ 107,923	\$ 593,985	\$ 108,529	\$ 85,169	\$ 787,683	\$ 816,904	
Payroll taxes	14,055	8,157	16,861	8,758	47,831	6,919	6,737	61,487	63,119	
Employee benefits	11,840	7,590	15,704	8,215	43,349	6,568	7,191	57,108	62,158	
Total Personnel Expenses	200,762	116,537	242,970	124,896	685,165	122,016	99,097	906,278	942,181	
Representation	525	942	2,785	6,163	10,415	480	381	11,276	11,786	
Professional development	1,340	935	2,978	2,434	7,687	3,640	550	11,877	8,925	
Professional fees	4,862	3,305	5,836	3,486	17,489	2,762	1,448	21,699	27,302	
Program food/beverage	6,433	14,812	8,996	40,750	70,991	520	1,033	72,544	88,504	
Program events	12,608	6,788	1,055	23,005	43,456	263	188	43,907	51,436	
Advertising and promotion	-	50	-	3,124	3,174	-	-	3,174	1,879	
Resource materials	2,155	13,095	-	550	15,800	371	-	16,171	16,130	
Internet	121	82	139	93	435	69	44	548	3,403	
Audit/accounting	138	94	159	106	497	-	9,483	9,980	10,880	
Supplies	2,212	1,323	2,344	2,411	8,290	1,125	899	10,314	11,433	
Telephone	1,383	940	2,092	1,065	5,480	786	574	6,840	7,725	
Postage	756	848	706	475	2,785	3,674	91	6,550	9,482	
Dues and subscriptions	226	154	3,410	1,284	5,074	330	92	5,496	5,573	
Printing	3,055	2,487	3,454	2,317	11,313	1,347	680	13,340	21,989	
Insurance	1,846	1,255	2,119	1,421	6,641	1,046	751	8,438	8,301	
Bank charges	294	520	-	757	1,571	4,319	1,799	7,689	7,857	
Repairs and maintenance	2,231	1,517	2,560	1,718	8,026	1,264	907	10,197	10,609	
Occupancy	12,873	8,752	14,771	9,909	46,305	7,296	5,237	58,838	57,578	
Depreciation	2,225	1,513	2,554	1,713	8,005	1,261	905	10,171	9,050	
Total Expenses	\$ 256,045	\$ 175,949	\$ 298,928	\$ 227,677	\$ 958,599	\$ 152,569	\$ 124,159	\$ 1,235,327	\$ 1,312,023	

See notes to financial statements

GLOBAL MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services				Support Services			Total
	Global Education	Great Decisions	IVLP	World Affairs Program	Total Program Services	Development	Management and General	
Salaries	\$ 200,511	\$ 99,708	\$ 214,273	\$ 106,834	\$ 621,326	\$ 115,981	\$ 79,597	\$ 816,904
Payroll taxes	15,941	7,932	17,399	8,522	49,794	6,927	6,398	63,119
Employee benefits	13,312	7,525	16,497	8,060	45,394	9,387	7,377	62,158
Total Personnel Expenses	229,764	115,165	248,169	123,416	716,514	132,295	93,372	942,181
Representation	1,578	1,120	2,888	4,676	10,262	994	530	11,786
Professional development	1,214	664	3,753	728	6,359	2,120	446	8,925
Professional fees	7,269	3,975	7,110	4,361	22,715	2,700	1,887	27,302
Program food/beverage	7,905	10,472	23,943	45,256	87,576	573	355	88,504
Program events	10,799	5,654	14,625	18,368	49,446	1,871	119	51,436
Advertising and promotion	153	83	1,401	242	1,879	-	-	1,879
Resource materials	5,649	10,113	-	-	15,762	368	-	16,130
Internet	766	419	749	459	2,393	736	274	3,403
Audit/accounting	644	352	630	387	2,013	-	8,867	10,880
Supplies	2,444	1,320	3,438	1,882	9,084	1,390	959	11,433
Telephone	1,780	974	2,144	1,068	5,966	1,021	738	7,725
Postage	1,549	1,248	1,369	937	5,103	4,215	164	9,482
Dues and subscriptions	303	166	826	3,732	5,027	426	120	5,573
Printing	6,178	3,047	6,581	3,343	19,149	1,835	1,005	21,989
Insurance	2,027	1,108	1,983	1,216	6,334	1,162	805	8,301
Bank charges	325	337	248	862	1,772	4,435	1,650	7,857
Repairs and maintenance	2,591	1,416	2,534	1,554	8,095	1,485	1,029	10,609
Occupancy	14,058	7,688	13,751	8,435	43,932	8,061	5,585	57,578
Depreciation	2,210	1,208	2,161	1,326	6,905	1,267	878	9,050
Total Expenses	\$ 299,206	\$ 166,529	\$ 338,303	\$ 222,248	\$ 1,026,286	\$ 166,954	\$ 118,783	\$ 1,312,023

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Global Minnesota connects, informs and engages Minnesotans with the world. Through a unique lineup of programs, Global Minnesota takes relevant and timely information on international issues, foreign policy, and cultural topics, and provides the space and opportunity for Minnesotans to engage and discuss. As a nonprofit, nonpartisan organization for nearly 65 years, Global Minnesota 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. This year Global Minnesota produced over 570 activities engaging more than 21,000 in participation to learn more about the world.

Global Minnesota 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 and scholars. Today, Global Minnesota still engages ‘citizen diplomats’ but, has evolved into a multifaceted nonpartisan organization providing globally-focused educational opportunities for people of all ages across Minnesota. Global Minnesota membership consists of approximately 1,410 individual members and 52 corporate members. Global Minnesota is one of the top 10 World Affairs Councils of America; a proud 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.

Global Minnesota’s mission is to advance international understanding and engagement. And, we are committed to serving Minnesota from a foundation built on values of respect, collaboration, nonpartisanship, global competency, inclusion and courage.

Distinct program areas provide rich and varied opportunities to connect with others from around the globe, serve as citizen diplomats, and gain a deeper understanding of the world.

Professional Exchanges bring emerging leaders from around the world to Minnesota for cultural and professional exchange. Global Minnesota connects local industry experts and participating visitors to foster awareness about international issues and cultivate effective exchange of industry best practices. Global Minnesota serves as the state’s premier coordinator of the U.S. Department of State’s International Visitor Leadership Program and partners with public and private institutions to create custom professional exchange opportunities. Minnesota is a top destination for international visitors from this program and others, and this year Global Minnesota hosted 406 program participants from 130 countries.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

K-12 Education programs support Minnesota educators and students in their efforts to learn more about the world and develop the knowledge, skills, and dispositions necessary for success in today's global society. The program includes three components:

- Classroom Connection brings the world's cultures directly to Minnesota elementary school children. Students, teachers, and international speakers come together for a series of interactive cross-cultural conversations and lessons that support Minnesota education standards. This year, Classroom Connection engaged more than 1,100 students for 3,600 hours of cross-cultural learning.
- Academic WorldQuest is an international knowledge competition that challenges high school students to think globally and quiz locally about critical issues facing the U.S. and world. This past year, 146 students competing on 37 teams representing schools from across the state participated in Academic WorldQuest.
- Global Discussions in the Schools is a diverse and applicable current events curriculum for high school students. Through in-depth analysis of today's top foreign policy topics, students go beyond the headlines and become active participants in the world community.

World Affairs Events, the public face of Global Minnesota, are unique and diverse opportunities that go beyond international headlines, spark cultural conversations within communities, and connect audiences with some of the world's best thinkers. Events range from presentations with high-caliber international speakers and diplomats, to experiencing a blend of culture and cuisine at local restaurants, and networking with globally-minded people at a local brewery. This past year, Global Minnesota produced 82 events with total attendance of 8,800.

Discussion Groups are based on the Foreign Policy Association's Great Decisions program and offer individuals from across the state the opportunity to explore the year's most important international issues and foreign policy topics. They provide high quality, nonpartisan information and bring together friends, colleagues, and neighbors who share a passion – or curiosity – for global issues. Global Minnesota coordinates the largest Great Decisions discussion group program in the country and builds additional programs around the eight critical topics including a free monthly presentation by a local expert at locations in both Minneapolis and St. Paul. Global Minnesota also collaborates with the Minneapolis *Star Tribune* to present monthly opinions on a Great Decisions topic. This past year, 54 groups convened 298 Great Decisions meetings with total attendance of nearly 7,000.

This year's **gala**, Celebration of China, raised over \$350,000 to support Global Minnesota's programs and mission

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2018 and 2017, The Organization's uninsured cash balances amounted to approximately \$89,000 and \$0, respectively.

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, 2018 and 2017, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

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.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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, 2018 and 2017 amounted to \$10,171 and \$9,050, respectively.

Advertising:

Advertising costs are charged to expense as incurred. During the years ended June 30, 2018 and 2017, advertising costs were \$3,174 and \$1,879 respectively.

GLOBAL MINNESOTA
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 September 6, 2018, 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 \$35,000. Balances on these accounts accrue interest at approximately 12%. These accounts are unsecured. Outstanding balances on these accounts totaled \$7,983 and \$3,836 as of June 30, 2018 and 2017, respectively, and are included in accounts payable.

NOTE 3. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable were as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Receivable in:		
Less than one year	\$ 189,375	\$ 202,778
One to five years	<u>-</u>	<u>39,000</u>
	<u>\$ 189,375</u>	<u>\$ 241,778</u>

At June 30, 2018 and 2017, management considered all pledges and grants receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

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 realized and unrealized investment gain (loss) on the accompanying statement of activities. As of June 30, 2018 and 2017, the Organization's beneficial interest amounted to \$39,021 and \$39,454, respectively.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS

At June 30, 2018 and 2017, investments consisted of the following:

	2018	2017
Investments held at Minneapolis Foundation	\$ 512,062	\$ 513,712
Mutual funds	327,291	311,367
	\$ 839,353	\$ 825,079

NOTE 6. FAIR VALUE MEASUREMENT

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for which Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no assets requiring the use of Level 2 inputs for the periods presented.

Investments held at Minneapolis Foundation (Note 7) are pooled with other organizations' funds and invested in diversified portfolios of U.S. Treasury, marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. A substantial portion of the underlying assets is measured at Level 1 and Level 2 inputs. The Organization's ownership in such investments is represented by an undivided interest in investment portfolios managed by the Foundation, not in the underlying assets themselves. The undivided interests in these portfolios are not themselves publicly traded nor can they be valued based on observable direct or indirect inputs. Accordingly, they are reported as Level 3 measurements.

Interest in Charitable Trust (Note 4): Valued at fair value of the assets held in the trust reported by the trustee. The Organization considers the measurement of its beneficial interest in the trust to be a Level 3 measurement because even though that measurement is based on the unadjusted fair value of the trust assets reported by the trustee, the Organization will never have the ability to direct the trustee to redeem them.

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.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. FAIR VALUE MEASUREMENT (continued)

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, 2018 and 2017:

2018	Fair Value	Level 1	Level 3
Investments held at Minneapolis Foundation	\$ 512,062	\$ -	\$ 512,062
Mutual funds	327,291	327,291	-
Interest in Charitable Trust	39,021	-	39,021
	<u>\$ 878,374</u>	<u>\$ 327,291</u>	<u>\$ 551,083</u>
2017	Fair Value	Level 1	Level 3
Investments held at Minneapolis Foundation	\$ 513,712	\$ -	\$ 513,712
Mutual funds	311,367	311,367	-
Interest in Charitable Trust	39,454	-	39,454
	<u>\$ 864,533</u>	<u>\$ 311,367</u>	<u>\$ 553,166</u>

Reconciliation of assets measured using Level 3 inputs as of June 30, 2018 and 2017 was as follows:

	Investments held at Minneapolis Foundation	Interest in Charitable Trust
Fair Value, 7/1/16	\$ 472,265	\$ 39,087
Investment return:		
Interest and dividends	-	-
Management fees	(4,846)	-
Realized and unrealized gains	55,663	367
Distributions	(9,370)	-
Fair Value, 6/30/17	513,712	39,454
Investment return:		
Interest and dividends	-	-
Management fees	(4,911)	-
Realized and unrealized gains (losses)	36,240	(433)
Distributions	(32,979)	-
Fair Value, 6/30/18	<u>\$ 512,062</u>	<u>\$ 39,021</u>

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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 Global Minnesota 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

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 Global Minnesota'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.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT FUNDS (continued)

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 fair value of the fund was \$260,322 and \$270,214 as of June 30, 2018 and 2017, respectively. Investment expenses associated with this fund were \$2,577 and \$2,513 for the years ended June 30, 2018 and 2017, 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 fair value of the fund was \$251,740 and \$243,498 as of June 30, 2018 and 2017, respectively. Investment gain (loss) (net of fees), including realized and unrealized gains (losses), was \$17,555 and \$29,277 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 totaled \$327,291 and \$311,367, respectively.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 **ENDOWMENT FUNDS (continued)**

Endowment net asset composition by type of fund at June 30, 2018 and 2017 were as follows:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 127,291	\$ 451,740	\$ 579,031
Board designated	260,322	-	-	260,322
	<u>\$ 260,322</u>	<u>\$ 127,291</u>	<u>\$ 451,740</u>	<u>\$ 839,353</u>
2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 111,367	\$ 443,498	\$ 554,865
Board designated	270,214	-	-	270,214
	<u>\$ 270,214</u>	<u>\$ 111,367</u>	<u>\$ 443,498</u>	<u>\$ 825,079</u>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, 7/1/16	\$ 248,675	\$ 89,867	\$ 423,590	\$ 762,132
Investment return:				
Interest and dividends	-	3,328	-	3,328
Management fees	(2,513)	-	(2,333)	(4,846)
Realized and unrealized gains	24,052	33,172	31,611	88,835
Appropriation of endowment assets for expenditure	-	(15,000)	(9,370)	(24,370)
Endowment, 6/30/17	270,214	111,367	443,498	825,079
Investment return:				
Interest and dividends	-	15,998	-	15,998
Management fees	(2,577)	-	(2,335)	(4,912)
Realized and unrealized gains	16,351	14,926	19,890	51,167
gains	-	-	-	-
Appropriation of endowment assets for expenditure	(23,666)	(15,000)	(9,313)	(47,979)
Endowment, 6/30/18	<u>\$ 260,322</u>	<u>\$ 127,291</u>	<u>\$ 451,740</u>	<u>\$ 839,353</u>

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. RESTRICTED NET ASSETS

Restricted net assets at June 30, 2018 and 2017 consisted of the following:

	2018	2017
The sources for temporarily restricted assets:		
Unappropriated earnings on Sit Investments		
Endowment Fund (NOTE 7)	\$ 127,291	\$ 111,367
Interest in charitable trust	39,021	39,454
Donaldson Company, Inc.	-	10,000
Global Ties	52,500	35,316
Fredrikson & Byron	1,500	-
Anonymous Gifts	-	150
State of Minnesota	39,000	78,000
Anonymous Major Gifts Campaign	280,473	251,012
Fund-A-Need contributions and pledges	50,301	59,400
3M Foundation	-	20,000
Equipment Fund-A-Need	8,693	12,150
Technology Fund-A-Need	2,853	4,756
Leasehold Improvements Major Gifts	991	1,405
Relocation Furniture & Fixtures Major Gifts	370	482
Copier replacement	4,835	6,185
Carlson Family Foundation	-	43,000
Delta Airlines travel vouchers held for use	-	1,118
Program Revenue	2,785	2,330
Corporate membership	102,775	98,917
	<u>\$ 713,388</u>	<u>\$ 775,042</u>
Temporarily restricted for the following activities:		
Program Support	\$ 97,142	\$ 129,504
General Operations	563,746	530,822
International Visitor Leadership Program	52,500	35,316
Classroom Connection	-	79,400
	<u>\$ 713,388</u>	<u>\$ 775,042</u>
Permanently restricted:		
Endowment Funds (NOTE 7)	\$ 451,740	\$ 443,498
	<u>\$ 451,740</u>	<u>\$ 443,498</u>

NOTE 9. BOARD DESIGNATED NET ASSETS

Board designated net assets at June 30, 2018 and 2017 consisted of the following:

Endowment Fund (NOTE 7)	\$ 260,322	\$ 270,214
Major Gifts Campaign	205,383	-
Board Approved Draws	23,666	-
	<u>\$ 489,371</u>	<u>\$ 270,214</u>

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LEASE COMMITMENTS

The Organization has an operating lease agreement for office space expiring December 31, 2018. Rent expense under this lease was \$58,640 and \$56,374 for the years ended June 30, 2018 and 2017, respectively. Subsequent to year-end, this lease has been extended through December 31, 2020.

As of June 30, 2018, future minimum payments under this lease were as follows:

Year Ending June 30,	Amount
2019	\$ 58,640
2020	59,221
2021	<u>29,610</u>
	<u>\$ 147,471</u>

NOTE 11. IN-KIND CONTRIBUTIONS

The Organization received donated goods and equipment totaling \$15,824 and \$13,276 in 2018 and 2017, respectively. The Organization also had assistance from approximately 646 and 850 volunteers in 2018 and 2017, 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.

NOTE 12. RETIREMENT PLAN

The Organization has a 403(b) defined contribution plan, 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, 2018 and 2017, the Organization contributed \$19,200 and \$18,818, respectively, to the plan.

GLOBAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. ANNUAL GALA

The annual gala event was held during the years ended June 30, 2018 and 2017 for fundraising purposes. The total receipts, expenses, and net earnings at June 30, 2018 and 2017 were as follows:

	2018	2017
Annual gala receipts	\$ 306,288	\$ 220,310
Less: gala expenses	(105,069)	(79,040)
Annual gala, net	\$ 201,219	\$ 141,270

Development expense reported on the Statements of Activities includes annual gala expenses of \$9,332 and \$8,774 during 2018 and 2017, respectively, which consisted of donated services and in-kind gifts. The 2018 and 2017 annual galas also raised \$50,301 and \$59,400, of temporarily restricted revenue dedicated to the Programs for the fiscal years ended June 30, 2019 and 2018, respectively.