

PHILANTHROFUND FOUNDATION

FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT

JUNE 30, 2009

# PHILANTHROFUND FOUNDATION

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
PFund (Philanthrofund Foundation)  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Philanthrofund Foundation (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philanthrofund Foundation as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota  
August 31, 2009

*Olsen Thielen & Co., Ltd.*

**PHILANTHROFUND FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008**

| ASSETS   |                |                  |
|--|----------------|------------------|
|  | 2009           | 2008             |
| Cash and Cash Equivalents  | \$ 142,732     | \$ 105,565       |
| Investments  | 802,518        | 1,047,507        |
| Contributions Receivable   | 31,116         | 121,757          |
| Prepaid Expenses   | 5,757          | 4,661            |
| Equipment, Less Accumulated Depreciation<br>of \$20,239 in 2008 and \$17,019 in 2007 | 3,878          | 7,098            |
| <br>TOTAL ASSETS   | <br>\$ 986,001 | <br>\$ 1,286,588 |
| LIABILITIES AND NET ASSETS   |                |                  |
| LIABILITIES:   |                |                  |
| Accounts Payable and Accrued Expenses  | \$ 4,230       | \$ 4,811         |
| Grants Payable   | 5,000          | 3,000            |
| Funds Held for Quatrefoil Library  | 117,851        | 129,831          |
| Total Liabilities  | 127,081        | 137,642          |
| NET ASSETS:  |                |                  |
| Unrestricted Net Assets:   |                |                  |
| Undesignated   | 25,713         | 37,338           |
| Endowment Investment Losses  | (178,787)      | -                |
| Board Designated - Program   | 12,872         | 33,000           |
| Our Community Legacy Fund  | -              | 6,941            |
| Total Unrestricted Net Assets  | (140,202)      | 77,279           |
| Temporarily Restricted   | 148,233        | 222,659          |
| Permanently Restricted   | 850,889        | 849,008          |
| Total Net Assets   | 858,920        | 1,148,946        |
| <br>TOTAL LIABILITIES AND NET ASSETS   | <br>\$ 986,001 | <br>\$ 1,286,588 |

*The accompanying notes are an integral part of the financial statements.*

**PHILANTHROFUND FOUNDATION**

**STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2009 AND 2008**

|  | 2009                      |                          |                          | Total                    |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | Unre tri te               | Temporarily<br>Re tri te | Permanently<br>Re tri te |                          |
| <b>PUBLIC SUPPORT AND REVENUES:</b>                                      |                           |                          |                          |                          |
| Contributions  | \$ 207,305                | \$ 80,291                | \$ 9,472                 | \$ 297,068               |
| Corporate/Foundation Contributions                                       | 8,000                     | 35,113                   | -                        | 43,113                   |
| Special Events, Net of Expenses of \$21,521<br>in 2009 and \$37,066 2008 | 41,516                    | -                        | -                        | 41,516                   |
| Management Fees  | 3,417                     | -                        | -                        | 3,417                    |
| Investment Loss  | (29,687)                  | (147,684)                | -                        | (177,371)                |
| FSP 117-1 Reclassification   | (178,787)                 | 178,787                  | -                        | -                        |
| Net Assets Released from Usage Restrictions                              | 228,524                   | (220,933)                | (7,591)                  | -                        |
| Total Public Support and Revenues  | <u>280,288</u>            | <u>(74,426)</u>          | <u>1,881</u>             | <u>207,743</u>           |
| <b>EXPENSES:</b>   |                           |                          |                          |                          |
| Program Services   | 343,975                   | -                        | -                        | 343,975                  |
| Management and General   | 52,372                    | -                        | -                        | 52,372                   |
| Fundraising  | 101,422                   | -                        | -                        | 101,422                  |
| Total Expenses   | <u>497,769</u>            | <u>-</u>                 | <u>-</u>                 | <u>497,769</u>           |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                                 | <b>(217,481)</b>          | <b>(74,426)</b>          | <b>1,881</b>             | <b>(290,026)</b>         |
| <b>NET ASSETS at Beginning of Year</b>                                   | <u><b>77,279</b></u>      | <u><b>222,659</b></u>    | <u><b>849,008</b></u>    | <u><b>1,148,946</b></u>  |
| <b>NET ASSETS at End of Year</b>   | <u><b>\$(140,202)</b></u> | <u><b>\$ 148,233</b></u> | <u><b>\$ 850,889</b></u> | <u><b>\$ 858,920</b></u> |

*The accompanying notes are an integral part of the financial statements.*

2008

| Unrestricted     | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|------------------|---------------------------|---------------------------|---------------------|
| \$ 188,131       | \$ 79,011                 | \$ 98,957                 | \$ 366,099          |
| 5,803            | 76,792                    | 30                        | 82,625              |
| 50,150           | 3,780                     | -                         | 53,930              |
| 2,486            | -                         | -                         | 2,486               |
| (9,698)          | (46,844)                  | -                         | (56,542)            |
| -                | -                         | -                         | -                   |
| <u>246,535</u>   | <u>(235,950)</u>          | <u>(10,585)</u>           | <u>-</u>            |
| <u>483,407</u>   | <u>(123,211)</u>          | <u>88,402</u>             | <u>448,598</u>      |
| 295,527          | -                         | -                         | 295,527             |
| 58,052           | -                         | -                         | 58,052              |
| 105,414          | -                         | -                         | 105,414             |
| <u>458,993</u>   | <u>-</u>                  | <u>-</u>                  | <u>458,993</u>      |
| 24,414           | (123,211)                 | 88,402                    | (10,395)            |
| <u>52,865</u>    | <u>345,870</u>            | <u>760,606</u>            | <u>1,159,341</u>    |
| <u>\$ 77,279</u> | <u>\$ 222,659</u>         | <u>\$ 849,008</u>         | <u>\$ 1,148,946</u> |

**PHILANTHROFUND FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2009 AND 2008**

|                         | 2009                        |                                   |                    |                   |
|-------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
|                         | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
| Personnel Costs:        |                             |                                   |                    |                   |
| Salaries and Wages      | \$ 98,705                   | \$ 35,375                         | \$ 45,580          | \$ 179,660        |
| Payroll Taxes           | 7,772                       | 2,785                             | 3,589              | 14,146            |
| Employee Benefits       | 11,064                      | 3,965                             | 5,109              | 20,138            |
|                         | <u>117,541</u>              | <u>42,125</u>                     | <u>54,278</u>      | <u>213,944</u>    |
| Grants                  | 136,552                     | -                                 | -                  | 136,552           |
| Professional Fees       | 5,566                       | 1,877                             | 5,290              | 12,733            |
| Office Expense          | 531                         | 509                               | 4,979              | 6,019             |
| Office Rent             | 9,498                       | 3,454                             | 4,317              | 17,269            |
| Postage                 | 5,371                       | 280                               | 4,644              | 10,295            |
| Telephone               | 2,459                       | 580                               | 3,704              | 6,743             |
| Software and Web        | 5,048                       | 600                               | 773                | 6,421             |
| Insurance               | 1,233                       | 448                               | 561                | 2,242             |
| Printing                | 16,278                      | 181                               | 6,807              | 23,266            |
| Conference and Meetings | 2,216                       | 373                               | 1,386              | 3,975             |
| Programs                | 16,091                      | -                                 | -                  | 16,091            |
| Travel                  | 2,449                       | 209                               | 1,874              | 4,532             |
| Design and Writing      | 4,678                       | -                                 | 607                | 5,285             |
| Miscellaneous           | 1,482                       | 454                               | 2,830              | 4,766             |
| Promotion               | 12,938                      | -                                 | 7,605              | 20,543            |
| Volunteer Expenses      | 1,393                       | 318                               | 562                | 2,273             |
| Dues and Subscriptions  | 880                         | 320                               | 400                | 1,600             |
| Depreciation            | 1,771                       | 644                               | 805                | 3,220             |
|                         | <u>1,771</u>                | <u>644</u>                        | <u>805</u>         | <u>3,220</u>      |
| Total                   | <u>\$ 343,975</u>           | <u>\$ 52,372</u>                  | <u>\$ 101,422</u>  | <u>\$ 497,769</u> |

*The accompanying notes are an integral part of the financial statements.*

2008

| <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|-----------------------------|-----------------------------------|--------------------|-------------------|
| \$ 65,175                   | \$ 40,085                         | \$ 55,285          | \$ 160,545        |
| 5,183                       | 3,167                             | 4,389              | 12,739            |
| <u>7,029</u>                | <u>3,826</u>                      | <u>7,576</u>       | <u>18,431</u>     |
| 77,387                      | 47,078                            | 67,250             | 191,715           |
| 130,381                     | —                                 | —                  | 130,381           |
| 8,217                       | 2,014                             | 3,548              | 13,779            |
| 1,152                       | 537                               | 4,182              | 5,871             |
| 6,251                       | 3,803                             | 5,433              | 15,487            |
| 3,524                       | 132                               | 3,616              | 7,272             |
| 3,723                       | 673                               | 3,599              | 7,995             |
| 2,389                       | 598                               | 909                | 3,896             |
| 751                         | 459                               | 655                | 1,865             |
| 21,103                      | 72                                | 4,019              | 25,194            |
| 3,458                       | 273                               | 2,251              | 5,982             |
| 11,003                      | —                                 | —                  | 11,003            |
| 2,337                       | 157                               | 1,471              | 3,965             |
| 7,504                       | —                                 | 895                | 8,399             |
| 2,088                       | 912                               | 2,659              | 5,659             |
| 10,897                      | —                                 | 2,883              | 13,780            |
| 1,752                       | 364                               | 643                | 2,759             |
| 628                         | 384                               | 548                | 1,560             |
| <u>982</u>                  | <u>596</u>                        | <u>853</u>         | <u>2,431</u>      |
| <u>\$ 295,527</u>           | <u>\$ 58,052</u>                  | <u>\$ 105,414</u>  | <u>\$ 458,993</u> |

**PHILANTHROFUND FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

|  | <b>2009</b>         | <b>2008</b> |
|--|---------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                     |             |
| Decrease in Net Assets   | <b>\$ (290,026)</b> | \$ (10,395) |
| Adjustments to Reconcile Decrease in Net Assets to<br>Net Cash Provided By Operating Activities: |                     |             |
| Depreciation   | <b>3,220</b>        | 2,431       |
| Loss on Investments  | <b>211,607</b>      | 81,481      |
| Change in Assets and Liabilities:  |                     |             |
| Contributions Receivable   | <b>90,641</b>       | 26,746      |
| Prepaid Expenses   | <b>(1,096)</b>      | 918         |
| Accounts Payable and Other Liabilities   | <b>(10,561)</b>     | (40,374)    |
| Net Cash Provided By Operating Activities  | <b>3,785</b>        | 60,807      |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                     |             |
| Purchase of Investments  | <b>(690,170)</b>    | (1,126,479) |
| Proceeds from Sale of Investments  | <b>723,552</b>      | 927,363     |
| Purchase of Equipment  | <b>—</b>            | (3,119)     |
| Net Cash Provided By (Used In) Investing Activities  | <b>33,382</b>       | (202,235)   |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS   | <b>37,167</b>       | (141,428)   |
| CASH AND CASH EQUIVALENTS at Beginning of Year   | <b>105,565</b>      | 246,993     |
| CASH AND CASH EQUIVALENTS at End of Year   | <b>\$ 142,732</b>   | \$ 105,565  |

*The accompanying notes are an integral part of the financial statements.*

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

Philanthrofund Foundation (PFund) is a catalyst in building communities in Minnesota and the upper Midwest where lesbian, gay, bisexual, and transgender people are celebrated and live free from discrimination, violence, invisibility, and isolation. PFund is a vital resource and community builder for lesbian, gay, bisexual, transgender, and allied communities by providing grants and scholarships, developing leaders, and inspiring giving.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Reflects resources over which the Board of Directors has discretionary control. Designated amounts represent resources which the Board has set aside for specific purposes.

Temporarily Restricted - Reflects resources received with donor stipulations that limit the use of the donated assets. When a donor 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. When a restriction is accomplished within the same year of the donation, the funds are shown as unrestricted.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including the market value of the related investments for unrestricted or temporarily restricted purposes.

#### Accounting Estimates

The presentation 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 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 those estimates.

#### Contributions

The Organization records contributions when it has been determined that there is a legal right to the contribution and the amount is subject to reasonable estimation. Unconditional promises are recorded as revenue at the time the promise is made. Conditional promises are recorded when the condition has been satisfied.

#### Cash Equivalents

Cash equivalents consist of investment in money market funds. Cash equivalents are stated at cost, which approximates market value.

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Receivables

Receivables are reported at the amount the Organization expects to collect on balances outstanding at year-end. The Organization monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Organization has concluded that losses on balances outstanding at year-end will be immaterial.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

#### Equipment and Depreciation

Equipment is recorded at original cost. Additions, improvements or major renewals are capitalized. If items of equipment are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in the statement of activities.

Depreciation of equipment is computed using the straight-line method over 3-5 years.

#### Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

#### Functional Allocation of Expenses

The costs of providing various programs and services are summarized on a functional basis on the statement of activities. Accordingly, certain costs were allocated among the programs or services benefited based on best estimates by management.

#### Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, as amended. The Organization is also exempt from Minnesota income taxes.

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes (Continued)

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standards for the financial statement recognition and measurement of income tax positions taken or expected to be taken in income tax returns. This includes positions that the entity is exempt from income taxes except for taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and, accordingly, will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under FASB Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 but does not expect the adoption of FIN 48 will have a material effect on its future financial statements.

#### In-Kind Donated Contributions

The Organization recognized revenue for donated professional services of \$4,455 and \$2,047 during the years ended June 30, 2009 and 2008, respectively.

The Organization received donated materials of \$2,847 and \$15,920 in 2009 and 2008 which is included in special events revenue and expense on the statement of activities.

#### Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to significant credit risks on temporary cash investments.

#### Disclosures About Fair Value of Financial Instruments

Effective July 1, 2008, the Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Disclosures About Fair Value of Financial Instruments (Continued)

SFAS No. 157 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. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on Level 1 inputs.

#### Uniform Prudent Management of Institutional Funds Act

During 2008, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in Minnesota. In August, 2008, the FASB released FASB Staff Position 117-1 (FSP 117-1) which provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered restricted.

#### Reclassifications

Certain amounts in the 2008 financial statements and notes have been reclassified to conform with the 2009 presentation. These reclassifications had no effect on net assets for either period.

### NOTE 2 - INVESTMENTS

Investments are summarized as follows:

|                             | <u>2009</u>       | <u>2008</u>         |
|-----------------------------|-------------------|---------------------|
| Held With Merrill Lynch:    |                   |                     |
| Equity Funds                | \$ 428,979        | \$ 677,782          |
| Bond Funds - Fixed Income   | 217,902           | 226,044             |
| Mutual Funds - Fixed Income | <u>155,637</u>    | <u>143,681</u>      |
| Total Investments           | <u>\$ 802,518</u> | <u>\$ 1,047,507</u> |

Investment loss consists of the following:

|                        | <u>2009</u>         | <u>2008</u>        |
|------------------------|---------------------|--------------------|
| Interest and Dividends | \$ 51,669           | \$ 36,230          |
| Loss on Investments    | (211,607)           | (81,481)           |
| Investment Fees        | <u>(17,433)</u>     | <u>(11,291)</u>    |
| Total Investment Loss  | <u>\$ (177,371)</u> | <u>\$ (56,542)</u> |

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - ENDOWMENTS

The purpose of the endowment funds are to provide resources and grants and scholarships for lesbian, gay, bisexual, transgender, and allied communities. The Organization's endowments consists of donor-restricted endowment funds. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Philanthrofund Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. The donors of the Organization's endowment funds have permitted an appropriation policy of spending approximately five percent of the endowment fund's market value annually. 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 or unrestricted 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 purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

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 earnings to support the Organization's mission. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of the original value of gifts donated plus subsequent gifts or other requirements that the Organization retain a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted net assets were \$178,787 and \$0 at June 30, 2009 and 2008. The deficiency resulted from unfavorable investment market fluctuations that occurred in fiscal year 2009.

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - ENDOWMENTS (Continued)

The Finance Committee of Philanthrofund Foundation annually reviews and recommends to the Board of Directors the amount to be distributed from endowment assets for the next fiscal year.

Changes in endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

|  | <u>Unrestricted</u>       | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>             |
|--|---------------------------|-----------------------------------|-----------------------------------|--------------------------|
| Endowment Net Assets,<br>June 30, 2007               | \$ —                      | \$ 89,298                         | \$ 760,606                        | \$ 849,904               |
| Investment Loss                                      | —                         | (86,408)                          | —                                 | (86,408)                 |
| Dividend and Interest Income                         | —                         | 33,745                            | —                                 | 33,745                   |
| Contributions  | —                         | 11,374                            | 98,987                            | 110,361                  |
| Appropriation of Endowment<br>Assets for Expenditure | <u>—</u>                  | <u>(46,776)</u>                   | <u>(10,585)</u>                   | <u>(57,361)</u>          |
| Endowment Net Assets,<br>June 30, 2008               | —                         | 1,233                             | 849,008                           | 850,241                  |
| FSP 117-1 Reclassification                           | <b>(178,787)</b>          | <b>178,787</b>                    | —                                 | —                        |
| Investment Loss                                      | —                         | <b>(188,163)</b>                  | —                                 | <b>(188,163)</b>         |
| Dividend and Interest Income                         | —                         | <b>42,448</b>                     | —                                 | <b>42,448</b>            |
| Contributions  | —                         | <b>4,698</b>                      | <b>9,472</b>                      | <b>14,170</b>            |
| Appropriation of Endowment<br>Assets for Expenditure | <u>—</u>                  | <u><b>(39,003)</b></u>            | <u><b>(7,591)</b></u>             | <u><b>(46,594)</b></u>   |
| Endowment Net Assets,<br>June 30, 2009               | <u><b>\$(178,787)</b></u> | <u><b>\$ —</b></u>                | <u><b>\$ 850,889</b></u>          | <u><b>\$ 672,102</b></u> |

### NOTE 4 - CONTRIBUTION RECEIVABLES

Included in contributions receivable on the statement of financial position at June 30, 2009 and 2008 are donations intended for the Capacity Building Fund and Racial Equity Initiative Fund totaling \$30,000 and \$110,000.

### NOTE 5 - FUNDS HELD FOR OTHERS

The Organization entered into an investment management agreement with Quatrefoil Library in 2003. Under the agreement, the Organization is to manage the Quatrefoil Library's funds with full discretion and agrees to supervise and direct investments in accordance with the guidelines in the agreement. At June 30, 2009 and 2008, the Organization holds \$117,852 and \$129,831 in its investment accounts for the Quatrefoil Library.

# PHILANTHROFUND FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - NET ASSETS

Temporarily restricted net assets consist of the following:

|                                     | <u>2009</u>       | <u>2008</u>       |
|-------------------------------------|-------------------|-------------------|
| Capacity Building Fund              | \$ 47,468         | \$ 115,478        |
| Racial Equity Initiative            | 56,133            | 83,428            |
| Endowment Investment Income Funds   | -                 | 1,267             |
| Our Community Legacy Fund           | 8,271             | 6,941             |
| Women's Foundation Fund             | 7,000             | -                 |
| Howard Liebhefer Human Rights Award | 5,752             | -                 |
| Songs from the Heart Award          | 5,085             | 7,085             |
| Jay Miller Imagehaus                | 5,000             | -                 |
| PF Engineering Award                | 3,479             | -                 |
| Other                               | 10,045            | 8,460             |
| Total                               | <u>\$ 148,233</u> | <u>\$ 222,659</u> |

Temporarily restricted net assets released from restriction were \$220,933 and \$235,950 in 2009 and 2008. Temporarily restricted net assets were released from restriction due to satisfaction of program restrictions.

Permanently restricted net assets consist of the following:

|                                  | <u>2009</u>       | <u>2008</u>       |
|----------------------------------|-------------------|-------------------|
| Endowment Fund                   | \$ 244,976        | \$ 244,976        |
| Paul Marystone Fund              | 110,529           | 110,529           |
| Linde-Ostrander Leadership Award | 100,412           | 100,000           |
| Bisexual Fund                    | 87,497            | 87,497            |
| Minnesota Human Rights Fund      | 64,305            | 64,020            |
| Steve Endean Fund                | 55,089            | 54,889            |
| Gilligan-Pospisil Award          | 41,625            | 41,900            |
| Jeffrey Mayne Memorial Fund      | 40,819            | 39,524            |
| Communities of Color Fund        | 32,858            | 32,808            |
| Meuwissen-Werb Leadership Award  | 25,000            | 25,000            |
| Wellness Endowment Fund          | 22,400            | 22,340            |
| Manahan-Bohan Scholarship Fund   | 20,379            | 19,334            |
| PF Engineering Fund              | -                 | 6,191             |
| Quinn Liberal Arts Fund          | 5,000             | -                 |
| Total                            | <u>\$ 850,889</u> | <u>\$ 849,008</u> |

### NOTE 7 - LEASE AGREEMENT

The Organization leases office space under an operating lease expiring July 31, 2011. The lease provides for monthly base rental payments of \$1,266, increasing annually. Rent expense was \$17,269 in 2009 and \$15,487 in 2008.

Future minimum lease payments due under this operating lease are as follows:

|      |           |
|------|-----------|
| 2010 | \$ 13,375 |
| 2011 | 13,777    |
| 2012 | 1,151     |

## PHILANTHROFUND FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 8 - SUBSEQUENT EVENTS**

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events*, effective June 30, 2009. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued.

The Organization has evaluated subsequent events through August 31, 2009, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that require recognition or disclosure in the financial statements.