

**MINNESOTA LANDSCAPE
ARBORETUM FOUNDATION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

**MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota Landscape Arboretum Foundation
Chaska, Minnesota

We have audited the accompanying financial statements of Minnesota Landscape Arboretum Foundation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audits 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 auditors' 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.

Board of Trustees
Minnesota Landscape Arboretum Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Landscape Arboretum Foundation as of June 30, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 22, 2019

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash	\$ 201,081	\$ 1,948,958
Donated Securities	60,328	11,501
Pledges Receivable, Current	770,542	1,552,034
Due from University of Minnesota	69,009	197,241
Due from the State of Minnesota	-	4,531
Total Current Assets	1,100,960	3,714,265
OTHER ASSETS		
Long-Term Pledges Receivable (Net of \$42,005 and \$37,845 of Present Value Discount in 2019 and 2018, Respectively	600,903	638,716
Investments	133,338	1,754,236
Investments Designated and Restricted for Endowments	37,158,851	35,564,577
Total Other Assets	37,893,092	37,957,529
Total Assets	\$ 38,994,052	\$ 41,671,794
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 907	\$ -
Due to University of Minnesota	1,419	644
Interest Payable	17,795	63,230
Current Portion of Land Payable	317,164	271,729
Deferred Membership	1,071,543	1,033,840
Total Current Liabilities	1,408,828	1,369,443
LAND PAYABLE	890,832	1,510,289
Total Liabilities	2,299,660	2,879,732
NET ASSETS		
Without Donor Restrictions	80,783	1,397,284
With Donor Restrictions	36,613,609	37,394,778
Total Net Assets	36,694,392	38,792,062
Total Liabilities and Net Assets	\$ 38,994,052	\$ 41,671,794

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	\$ 4,062,846	\$ 3,644,509	\$ 7,707,355	\$ 2,843,022	\$ 6,360,862	\$ 9,203,884
Membership Dues	2,112,600	-	2,112,600	1,992,292	-	1,992,292
Auxiliary Income	212,953	-	212,953	215,640	-	215,640
Other Income	25,596	-	25,596	29,660	-	29,660
Investment Income, Net of Fees	49,558	205,252	254,810	30,386	104,215	134,601
Net Unrealized and Realized						
Gain on Investments	180,551	2,787,006	2,967,557	197,269	2,571,297	2,768,566
Release from Restrictions	7,417,936	(7,417,936)	-	4,666,660	(4,666,660)	-
Total Revenue, Gains, and Other Support	14,062,040	(781,169)	13,280,871	9,974,929	4,369,714	14,344,643
GRANTS AND EXPENSES						
University of Minnesota	14,167,771	-	14,167,771	8,481,542	-	8,481,542
University of Minnesota - Land						
Payable Interest	48,766	-	48,766	63,230	-	63,230
University of Minnesota - Fundraising	847,942	-	847,942	842,561	-	842,561
University of Minnesota Foundation -						
Business Service Fee	179,932	-	179,932	178,331	-	178,331
Improvements	5,801	-	5,801	8,827	-	8,827
Auxiliary	111,552	-	111,552	121,648	-	121,648
Other	16,777	-	16,777	20,458	-	20,458
Total Grants and Expenses	15,378,541	-	15,378,541	9,716,597	-	9,716,597
CHANGE IN NET ASSETS	(1,316,501)	(781,169)	(2,097,670)	258,332	4,369,714	4,628,046
Net Assets - Beginning of Year	1,397,284	37,394,778	38,792,062	1,138,952	33,025,064	34,164,016
NET ASSETS - END OF YEAR	<u>\$ 80,783</u>	<u>\$ 36,613,609</u>	<u>\$ 36,694,392</u>	<u>\$ 1,397,284</u>	<u>\$ 37,394,778</u>	<u>\$ 38,792,062</u>

See accompanying Notes to Financial Statements.

**MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			
	Program Services	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 13,095,913	\$ -	\$ -	\$ 13,095,913
Salaries and Benefits	-	885,070	686,454	1,571,524
Professional Services	-	113,295	66,340	179,635
Accounting Fees	-	14,659	-	14,659
Professional Fundraising	-	-	22,651	22,651
Office Expenses	16,027	39,900	56,782	112,709
Travel	-	8,040	9,977	18,017
Equipment and Equipment Leases	-	191,221	5,738	196,959
Interest	48,766	-	-	48,766
Auxiliary Expenses	-	-	111,552	111,552
Improvements	5,801	-	-	5,801
Other	355	-	-	355
	<u>\$ 13,166,862</u>	<u>\$ 1,252,185</u>	<u>\$ 959,494</u>	<u>\$ 15,378,541</u>
	2018			
	Program Services	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 7,559,517	\$ -	\$ -	\$ 7,559,517
Salaries and Benefits	-	806,288	667,369	1,473,657
Professional Services	-	76,171	74,062	150,233
Accounting Fees	-	13,113	-	13,113
Professional Fundraising	-	-	8,132	8,132
Office Expenses	21,241	37,175	59,698	118,114
Travel	-	10,395	11,445	21,840
Equipment and Equipment Leases	-	158,451	21,854	180,305
Interest	63,230	-	-	63,230
Auxiliary Expenses	-	-	121,648	121,648
Improvements	8,827	-	-	8,827
Other	(2,019)	-	-	(2,019)
	<u>\$ 7,650,796</u>	<u>\$ 1,101,593</u>	<u>\$ 964,208</u>	<u>\$ 9,716,597</u>

See accompanying Notes to Financial Statements.

**MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,097,670)	\$ 4,628,046
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized and Realized Gain on Investments	(2,967,557)	(2,768,566)
Noncash Contributions, Primarily Investment Securities	(361,983)	(218,099)
Contributions Received, Held for Long-Term Investment	-	(103,862)
Changes in Operating Assets and Liabilities:		
Donated Securities	(48,827)	(3,774)
Pledges Receivable	819,305	(1,409,009)
Accounts Payable	907	(111)
Due to/from University of Minnesota	129,007	(500,921)
Due from the State of Minnesota	4,531	8,904
Interest Payable	(45,435)	(9,311)
Deferred Membership Revenue	37,703	99,786
Net Cash Used by Operating Activities	<u>(4,530,019)</u>	<u>(276,917)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	3,665,783	2,142,310
Purchase of Investments	<u>(309,619)</u>	<u>(1,643,292)</u>
Net Cash Provided by Investing Activities	3,356,164	499,018
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Land Payable	(574,022)	(262,418)
Contributions Received, Held for Long-Term Investment	<u>-</u>	<u>103,862</u>
Net Cash Used by Financing Activities	<u>(574,022)</u>	<u>(158,556)</u>
 NET INCREASE (DECREASE) IN CASH	(1,747,877)	63,545
 Cash - Beginning of Year	<u>1,948,958</u>	<u>1,885,413</u>
 CASH - END OF YEAR	<u><u>\$ 201,081</u></u>	<u><u>\$ 1,948,958</u></u>

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Minnesota Landscape Arboretum Foundation (the Foundation) was incorporated as a nonprofit corporation in the state of Minnesota in 1970 and operated exclusively for the benefit of the Minnesota Landscape Arboretum of the University of Minnesota (the Arboretum).

The Auxiliary is a support group within the Foundation. The Auxiliary holds fundraising events for the benefit of the Foundation such as spring plant sales, summer garden tours, frog hollow projects, fall harvest, quilt raffle, and holiday sale.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Cash

The Foundation maintains its cash accounts at one financial institution. At times throughout the year, the Foundation's cash and equivalents balances may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity. There were no allowances for uncollectible contributions as of June 30, 2019 and 2018.

Contributions to be received after one year are discounted using a rate of 4%. Amortization of discounts is included in contribution revenue.

Contributed Services

A number of volunteers have made significant donations of time to program, fundraising, and support functions. In addition, the Arboretum provides various administrative and support services to the Foundation. The value of the contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Investments

Investments are carried at fair value. Investments are subject to market fluctuations. All investments are held by the University of Minnesota Foundation.

Realized and unrealized gains and losses are recognized in the period in which they occur and are recorded in the statements of activities. Investment income is presented net of investment management fees. Investment income is pooled and allocated to net assets without donor restrictions and net assets with donor restrictions in proportion to their average monthly equity in the pooled investment portfolio.

It is the Foundation's policy to sell donated securities as soon as possible after receipt. Donated securities are recorded at fair value as determined on the date of donation.

Property and Equipment

The Arboretum buildings, which are used for guest services, administration, maintenance, education, and research, are owned by the University of Minnesota. Accordingly, expenditures by the Foundation for property additions and improvements are expensed as incurred. Additions to this building and the other Arboretum facilities are generally financed from contributions received by the Foundation.

Membership Fees

Membership fees are recognized as revenue pro rata over the one-year period for which memberships are effective. Deferred membership revenue is the unamortized portion of membership fees to be recognized as revenue in the subsequent year.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Development costs as shown in the accompanying statements of activities represent the Foundation's cost of fundraising activities. Expenses are allocated directly based on the nature of the actual expense incurred.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state income tax laws. The Foundation is a public charity under IRC Section 509(a)(1) and contributions to the Foundation qualify as a charitable tax deduction by the contributor. The Foundation assesses any uncertain tax provisions and, if necessary, would record a tax asset or liability, and the related income tax expense, for any uncertain tax provisions. The Foundation does not have any uncertain tax positions or unrelated business income. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accept in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value Measurement

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The inputs used to measure fair value into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Foundation has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Foundation carries all nonpublicly traded equity securities at the lower of cost or market unless the election under this accounting standard has been made. To date, the Foundation has elected to carry all nonpublicly traded equity securities at fair value. The Foundation may elect to measure newly acquired financial instruments at fair value in the future.

Concentrations of Credit Risk Due to Pledges Receivable

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of pledges receivable. Management believes concentrations of credit risk with respect to pledges receivable are limited due to their nature and contributors.

Reclassifications and Transfers

The Foundation raises money for a variety of projects such as named buildings or gardens where the donor agreements stipulate that any funds remaining after the project is completed are to be held as an endowment for future maintenance of the facility and grounds as determined by the Arboretum. Prior to completion of the project, these funds are treated as net assets with donor restrictions for purpose as the amounts are available for project costs. Upon completion of the project, any residual funds are transferred to endowment funds in accordance with the donor agreements. Reclassification and fund transfers were made in the amount of \$48,226 and \$459,355 during June 30, 2019 and 2018, respectively, as a result of endowment funds transferred to capital project funds to support finalized construction costs or residual project funds transferred to endowment funds.

Certain reclassifications have been made to the prior year financial statement to conform to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets as previously reported.

**MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

The Foundation adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. These changes were applied retrospectively to ensure comparability with the prior year presented herein.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through October 22, 2019, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 201,081
Accounts Receivable	69,009
Promises to Give	770,542
Estimated Endowment Spending-Rate Distributions	<u>1,490,833</u>
Total	<u><u>\$ 2,531,465</u></u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$2,076,859 is subject to an annual spending rate of 4.5% as described in Note 8. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 AFFILIATION WITH THE UNIVERSITY OF MINNESOTA

Support Services

The Foundation is one of the two foundations officially recognized by the University of Minnesota Board of Regents to receive gifts on behalf of the University of Minnesota (the University). The Foundation also provides financial support to the University and reimburses the University for certain operating expenses, capital projects management by the University of Minnesota facilities management and fund raising and development expenses of the Foundation paid on its behalf by the University. Such amounts are reported in the statement of activities as expenses and totaled \$15,064,479 and \$9,387,333 for the years ended June 30, 2019 and 2018, respectively, including \$847,942 and \$842,561, respectively, reported as fundraising and development. The Foundation had amounts due from the University of Minnesota of \$69,009 and \$197,241 at June 30, 2019 and 2018. The Foundation had amounts due to the University of Minnesota of \$1,419 and \$644 at June 30, 2019 and 2018.

Land Payable

Land payable is comprised of the amount the Foundation has promised to pay the University of Minnesota for land purchased during fiscal 2009. The total land payable amount was \$1,207,996 and \$1,782,018 at June 30, 2019 and 2018, respectively. The promise involves annual payments of \$334,959 for 13 years starting July 1, 2011. The annual payments of \$334,959 include interest at an effective rate of approximately 3.5%. Interest expense was \$48,766 and \$63,230 for the years ended June 30, 2019 and 2018, respectively. Land payable was paid off in full in August 2019.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable as of June 30 are summarized as follows:

	2019	2018
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 770,542	\$ 1,552,034
One to Five Years	642,908	676,561
Total	1,413,450	2,228,595
Discount at Rate of 4%	(42,005)	(37,845)
Pledges Receivable, Net	\$ 1,371,445	\$ 2,190,750

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 INVESTMENTS

The investments are maintained in pooled funds by the University of Minnesota Foundation. The fair value of investments as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Management Agency Funds	\$ 37,277,177	\$ 35,692,394
Committed Funds	15,012	1,626,419
Total	<u>\$ 37,292,189</u>	<u>\$ 37,318,813</u>

Management Agency Funds

The Foundation has invested the management agency funds in the University of Minnesota Foundation's endowment pool. As of June 30, this pool is invested in the following:

	<u>2019</u>	<u>2018</u>
Global Equities	46.90 %	45.00 %
Fixed Income	6.80	5.80
Private Equity	30.40	34.00
Reinsurance	15.90	15.20

Valuation Policy of the University of Minnesota Foundation Investment Advisors

Investments are stated at fair value and are recorded on the trade or contract date. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments include private equity interests, mutual and commingled alternative investments, bonds, notes, and other investments. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the general partner. The University of Minnesota Foundation Investment Advisors review and evaluate the values provided by the general partner and assess the valuation methods and assumptions used in determining the fair value of private equity investments. Other alternative investments are valued in a variety of ways including various pricing models. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Committed Funds

The Foundation has invested these funds in the University of Minnesota Foundation's committed funds pool. This pool is invested in cash, cash equivalents, preferred stock, short-term, and fixed-income securities.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows at June 30:

	2019			
	Level 1	Level 2	Level 3	Total
Donated Securities	\$ 60,328	\$ -	\$ -	\$ 60,328
Investments:				
Management Agency Funds	-	-	37,277,177	37,277,177
Committed Funds	-	-	15,012	15,012
Total	\$ 60,328	\$ -	\$ 37,292,189	\$ 37,352,517
	2018			
	Level 1	Level 2	Level 3	Total
Donated Securities	\$ 11,501	\$ -	\$ -	\$ 11,501
Investments:				
Management Agency Funds	-	-	35,692,394	35,692,394
Committed Funds	-	-	1,626,419	1,626,419
Total	\$ 11,501	\$ -	\$ 37,318,813	\$ 37,330,314

Certain assets of the Foundation are recorded at fair value based upon Level 3 inputs. A portion of the Foundation's investments are held in collective/common pooled funds and do not have an active market price. The underlying investments of these common/collective pooled funds are global equities, fixed income, credit, marketable alternatives, private equity, inflation hedge, real estate, natural resources, and cash and cash equivalents.

The following tables provide a summary of changes in fair value of the Foundation's Level 3 investments and interest in charitable lead annuity trust for the years ended June 30:

	Investments	
	Management Agency Funds	Committed Funds
BALANCE - JUNE 30, 2017	\$ 34,393,181	\$ 437,985
Net Realized and Unrealized Gains	2,766,994	4,648
Purchases of Investments	22,045	1,836,270
Proceeds from Sales of Investments	(1,489,826)	(652,484)
BALANCE - JUNE 30, 2018	35,692,394	1,626,419
Net Realized and Unrealized Gains	2,958,218	15,865
Purchases of Investments	(462,450)	1,127,526
Proceeds from Sales of Investments	(910,985)	(2,754,798)
BALANCE - JUNE 30, 2019	\$ 37,277,177	\$ 15,012

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
General Maintenance Purposes	\$ 405,434	\$ 278,858
Capital Improvements	679,061	3,812,287
Other Programs	279,370	264,036
Total	1,363,865	4,355,181
Endowments:		
Subject to NFP Endowment Spending Policy and Appropriation:		
Restricted by Donors for:		
Various Endowments	11,046,165	9,678,002
Land Grant Research Chair	380,817	355,306
Support of Andersen Horticultural Library	438,502	409,648
Total	11,865,484	10,442,956
Original Donor Restricted Gift Amount to be Maintained in Perpetuity:		
General Operations Endowment	21,468,599	20,708,002
Peter J Olin Directorship Endowment	1,461,165	1,461,165
Land Grant Research Endowment	269,089	268,589
Andersen Horticultural Library Endowment	185,407	158,885
Total	23,384,260	22,596,641
Total Endowments	35,249,744	33,039,597
Total Net Assets with Donor Restrictions	\$ 36,613,609	\$ 37,394,778

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and as net assets released from restriction.

NOTE 8 ENDOWMENT FUNDS

The Foundation's endowments consist of funds established to provide for building and ground maintenance, library, education, research, directorship, and general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

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

In accordance with UMPIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

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

The Foundation has adopted an investment strategy for the endowment fund to provide an annualized return of five percentage points in excess of inflation. The investments of the endowment fund are rebalanced at the discretion of the investment manager.

It is the policy of the Foundation to distribute a percentage of the endowment fund based upon the endowment funds’ fair value. For fiscal years 2019 and 2018, the Foundation distributed 4.50% of the average fair value for the prior five years. Accordingly, it is the Foundation’s goal over the long-term to achieve a return in excess of the spending policy to allow the endowment funds to grow.

The composition of endowment assets were as follows as of June 30:

	2019		
	Without Restriction	With Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 35,249,744	\$ 35,249,744
Board-Designated Endowment Funds	2,076,859	-	2,076,859
Total Endowment Funds	<u>\$ 2,076,859</u>	<u>\$ 35,249,744</u>	<u>\$ 37,326,603</u>
	2018		
	Without Restriction	With Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 33,039,597	\$ 33,039,597
Board-Designated Endowment Funds	2,205,921	-	2,205,921
Total Endowment Funds	<u>\$ 2,205,921</u>	<u>\$ 33,039,597</u>	<u>\$ 35,245,518</u>

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

The changes in endowment assets for the years ended June 30 consisted of the following:

	Without Restriction	With Restriction	Total
Endowment Assets - July 1, 2018	\$ 2,205,921	\$ 33,039,597	\$ 35,245,518
Earnings:			
Investment Income, Net of Fees	12,653	202,318	214,971
Realized and Unrealized Gains	<u>158,784</u>	<u>2,788,750</u>	<u>2,947,534</u>
Total Investment Returns	171,436	2,991,068	3,162,504
Reclassifications	3,950	48,227	52,177
Contributions and Additions	158,593	739,392	897,985
Appropriations for Expenditure	<u>(463,041)</u>	<u>(1,568,540)</u>	<u>(2,031,581)</u>
Endowment Assets - June 30, 2019	<u>\$ 2,076,859</u>	<u>\$ 35,249,744</u>	<u>\$ 37,326,603</u>
	Without Restriction	With Restriction	Total
Endowment Assets - July 1, 2017	\$ 2,363,942	\$ 32,172,079	\$ 34,536,021
Earnings:			
Investment Income, Net of Fees	7,262	99,937	107,199
Realized and Unrealized Gains	<u>186,267</u>	<u>2,571,120</u>	<u>2,757,387</u>
Total Investment Returns	193,529	2,671,057	2,864,586
Reclassifications	12,398	(459,355)	(446,957)
Contributions and Additions	111,310	103,862	215,172
Appropriations for Expenditure	<u>(475,258)</u>	<u>(1,448,046)</u>	<u>(1,923,304)</u>
Endowment Assets - July 1, 2018	<u>\$ 2,205,921</u>	<u>\$ 33,039,597</u>	<u>\$ 35,245,518</u>