

**Textile Center of Minnesota**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
March 31, 2010 and 2009

**Carpenter *Evert***  
Certified Public Accountants



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Independent Auditor's Report

Board of Directors  
Textile Center of Minnesota  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Textile Center of Minnesota as of March 31, 2010, and the related statements of activities and changes in net assets, functional expense and cash flows for the year 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 audit. The financial statements of Textile Center of Minnesota as of March 31, 2009 were audited by other auditors whose report dated July 6, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Textile Center of Minnesota as of March 31, 2010, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Carpenter Evert and Associates, Ltd.*

Certified Public Accountants

Minneapolis, Minnesota  
July 29, 2010

EXHIBIT A

TEXTILE CENTER OF MINNESOTA  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions (Including In-kind Contributions)	\$ 224,339	-	\$ -	\$ 224,339	\$ 246,596	-	-	\$ 246,596
Government Grants	33,252	-	-	33,252	36,261	-	-	36,261
Program Service Income	309,373	-	-	309,373	287,104	-	-	287,104
Rental Income	64,873	-	-	64,873	64,370	-	-	64,370
Membership Dues	51,806	-	-	51,806	45,836	-	-	45,836
Loss on Disposal of Asset	-	-	-	-	(429)	-	-	(429)
Other Income	1,021	-	-	1,021	1,443	-	-	1,443
Net Assets Released from Restrictions:								
Satisfaction of Time Restrictions	-	-	-	-	18,720	(18,720)	-	-
Total Support and Revenue	684,664	-	-	684,664	699,901	(18,720)	-	681,181
Expense:								
Program Services	517,361	-	-	517,361	506,872	-	-	506,872
Support Services:								
Management and General Fundraising	53,939	-	-	53,939	101,135	-	-	101,135
Total Support Services	60,836	-	-	60,836	31,125	-	-	31,125
Total Expense	114,775	-	-	114,775	132,260	-	-	132,260
	632,136	-	-	632,136	639,132	-	-	639,132
Change in Net Assets From Operations	52,528	-	-	52,528	60,769	(18,720)	-	42,049
Other Changes in Net Assets:								
Investment Income (Loss)	16,840	31,988	-	48,828	(31,363)	(8,218)	-	(39,581)
Adoption of FSP 117-1 Endowments	-	-	-	-	-	8,218	(8,218)	-
Change in Net Assets	69,368	31,988	-	101,356	29,406	(18,720)	(8,218)	2,468
Net Assets - Beginning of Year	1,699,497	-	137,080	1,836,577	1,670,091	18,720	145,298	1,834,109
Net Assets - End of Year	\$ 1,768,865	\$ 31,988	\$ 137,080	\$ 1,937,933	\$ 1,699,497	\$ -	\$ 137,080	\$ 1,836,577

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

TEXTILE CENTER OF MINNESOTA  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED MARCH 31, 2010  
WITH COMPARATIVE TOTALS FOR 2009

	2010										2009
		Support Services					Total Program Services	Support Services			Total All Services
		Exhibitions & Shows	Education	Community Outreach	Management & General	Fund- raising		Total Support Services	Total All Services		
Salaries and Wages	\$ 60,950	\$ 76,703	\$ 17,916	\$ 29,242	\$ 45,352	\$ 155,569	\$ 29,242	\$ 45,352	\$ 74,594	\$ 230,163	\$ 224,703
Payroll Taxes and Benefits	7,185	5,421	1,439	5,399	3,723	14,045	5,399	3,723	9,122	23,167	24,022
Total Personnel Expense	68,135	82,124	19,355	34,641	49,075	169,614	34,641	49,075	83,716	253,330	248,725
Professional Fees	108,556	25,445	20,632	9,477	751	154,633	9,477	751	10,228	164,861	165,239
Supplies	5,967	38,212	2,866	3,108	738	47,045	3,108	738	3,846	50,891	57,481
Occupancy	9,370	26,239	1,125	750	-	36,734	750	-	750	37,484	39,272
Printing and Publications	4,333	10,987	494	1,143	646	15,814	1,143	646	1,789	17,603	32,141
Insurance	3,335	9,338	400	267	-	13,073	267	-	267	13,340	12,145
Postage and Shipping	5,179	3,616	44	265	990	8,839	265	990	1,255	10,094	13,506
Bad Debt Expense	-	-	19	-	7,864	19	-	7,864	7,864	7,883	-
Staff Development Expense	2,538	1,597	-	2,862	294	4,135	2,862	294	3,156	7,291	9,460
Miscellaneous	4,010	697	-	115	-	4,707	115	-	115	4,822	8,348
Advertising and Promotion	1,979	222	123	102	478	2,324	102	478	580	2,904	2,677
Telephone	567	1,588	68	45	-	2,223	45	-	45	2,268	2,168
Travel	429	547	210	-	-	1,186	-	-	-	1,186	4,472
Depreciation	14,545	40,725	1,745	1,164	-	57,015	1,164	-	1,164	58,179	43,498
Total Expense	\$ 228,943	\$ 241,337	\$ 47,081	\$ 53,939	\$ 60,836	\$ 517,361	\$ 53,939	\$ 60,836	\$ 114,775	\$ 632,136	\$ 639,132

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT C

TEXTILE CENTER OF MINNESOTA  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED MARCH 31, 2009

	Program Services			Support Services			Total All Services
	Exhibitions & Shows	Education	Community Outreach	Total Program Services	Management & General	Fund- raising	
Salaries and Wages	\$ 71,813	\$ 65,231	\$ 18,729	\$ 155,773	\$ 45,242	\$ 23,688	\$ 68,930
Payroll Taxes and Benefits	7,546	5,120	1,476	14,142	7,910	1,970	9,880
Total Personnel Expense	79,359	70,351	20,205	169,915	53,152	25,658	78,810
Professional Fees	89,906	47,699	16,869	154,474	9,830	935	10,765
Supplies	2,883	30,034	6,175	39,092	17,943	446	18,389
Occupancy	4,870	26,800	1,858	33,528	5,744	-	5,744
Printing and Publications	9,719	17,723	1,332	28,774	1,472	1,895	3,367
Insurance	1,353	7,893	1,207	10,453	1,692	-	1,692
Postage and Shipping	7,831	4,637	38	12,506	217	783	1,000
Staff Development Expense	2,931	3,109	24	6,064	3,288	108	3,396
Miscellaneous	5,411	759	311	6,481	567	1,300	1,867
Advertising and Promotion	1,707	545	85	2,337	340	-	340
Telephone	-	1,842	-	1,842	326	-	326
Travel	16	4,115	301	4,432	40	-	40
Depreciation	5,220	30,449	1,305	36,974	6,524	-	6,524
Total Expense	\$ 211,206	\$ 245,956	\$ 49,710	\$ 506,872	\$ 101,135	\$ 31,125	\$ 132,260
							\$ 639,132

The accompanying Notes to Financial Statements  
are an integral part of this statement.

TEXTILE CENTER OF MINNESOTA  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and Cash Equivalents	\$ 291,781	\$ 163,940
Investments	269,416	201,145
Accounts and Interest Receivable	10,075	19,343
Current Portion of Pledges Receivable	4,415	8,460
Prepaid Expenses	8,132	8,491
Inventory	<u>5,295</u>	<u>1,651</u>
Total Current Assets	589,114	403,030
Noncurrent Assets:		
Long-term Portion of Pledges Receivable	2,250	7,540
Property and Equipment - Net	<u>1,408,484</u>	<u>1,454,187</u>
TOTAL ASSETS	<u>\$ 1,999,848</u>	<u>\$ 1,864,757</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current Liabilities:		
Accounts Payable	\$ 23,348	\$ 18,069
Accrued Expenses	13,572	10,111
Deferred Revenue	<u>24,995</u>	<u>-</u>
Total Current Liabilities	61,915	28,180
Net Assets:		
Unrestricted:		
Designated - Property and Equipment Reserve	20,000	-
Undesignated - Operations	340,381	245,310
Undesignated - Property and Equipment	<u>1,408,484</u>	<u>1,454,187</u>
Total Unrestricted	1,768,865	1,699,497
Temporarily Restricted	31,988	-
Permanently Restricted	<u>137,080</u>	<u>137,080</u>
Total Net Assets	<u>1,937,933</u>	<u>1,836,577</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,999,848</u>	<u>\$ 1,864,757</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TEXTILE CENTER OF MINNESOTA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED  
MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 101,356	\$ 2,468
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
Depreciation	58,179	43,498
Unrealized and Realized Gains on Investments	(46,020)	47,383
In-kind Donation of Library Collectibles	(2,886)	-
Loss on Disposal of Property and Equipment	-	429
(Increases) Decreases in Current Assets:		
Accounts and Interest Receivable	9,268	(13,595)
Pledges Receivable	1,795	4,505
Prepaid Expenses	359	(75)
Inventory	(3,644)	416
Increases (Decreases) in Current Liabilities:		
Accounts Payable	5,279	(7,982)
Accrued Expenses	3,461	(6,024)
Deferred Revenue	24,995	(18,720)
Net Cash Provided by Operating Activities	<u>152,142</u>	<u>52,303</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(9,590)	(55,447)
Proceeds from Sale of Investments	70,284	-
Net Purchase of Investments	<u>(84,995)</u>	<u>(84,753)</u>
Net Cash (Used) by Investing Activities	(24,301)	(140,200)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	127,841	(87,897)
Cash and Cash Equivalents - Beginning of Year	<u>163,940</u>	<u>251,837</u>
Cash and Cash Equivalents - End of Year	<u>\$ 291,781</u>	<u>\$ 163,940</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
	<u>2010</u>	<u>2009</u>
Non-cash:		
In-kind Donation of Library Collectibles	<u>\$ 2,886</u>	<u>\$ 3,971</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

1. Summary of Significant Accounting Policies

Organizational Purpose

Textile Center of Minnesota (the Organization) is dedicated to honoring textile traditions and promoting excellence and innovation in fiber art. The Organization is a regionally-based national center for fiber art and its facility serves as a central place for artists, guilds, collectors, youth and adults to gather, meet, study and participate in fiber art exhibition and education programs. It is the only facility in Minnesota that represents all fiber art forms. Fiber art is broadly defined to include a wide range of forms including weaving, quilting, knitting, sewing, dyeing, needlework, lace making, basketry and beading. The Organization receives a majority of its revenue through program services and contributions from individuals and foundations. The Organization's programs advance the creative development of fiber artists, support a vibrant fiber art community, and promote fiber art as a living art form that is rooted in every culture. The Organization's programs are as follows:

Exhibitions & Shows – The Organization presents exhibitions of high caliber art work by artist from the region and around the world. These juried and invitational exhibitions are presented in the Joan Mondale Gallery, Community Gallery, and at venues across the country. A Common Thread is an annual non-juried exhibition open to all the Organization's members. The Organization's shop shows and sells fiber art work by member artists and art work is accepted through a jury process.

Education – The Organization provides fiber art education services to adults and youth at all skill levels. Workshops, classes, seminars, and lectures cover a wide range of fiber art forms and techniques. After-school workshops and summer camps for children are developing the next generation of fiber artists. Many workshops and classes focus on dye techniques and utilize the Organization's dye lab. More in-depth learning experiences are provided through the mentor program, the fiber artist grant program, and the biannual symposium. The Organization's Pat O'Connor Library houses the largest circulating collection of fiber art resources in the country with 16,000 books, periodicals and media resources. The Organization's website and its print and electronic communications keep the textile community informed and connected with information about programs, opportunities and events.

Community Outreach – The Organization delivers outreach services to youth, families and adults and promotes involvement in textiles. The Organization partners with social service agencies, schools, recreation centers, and public housing complexes to provide free fiber art programs to low-income youth, adults and new immigrants. The Organization also offers fiber art demonstrations and mini-workshops at arts festivals and community events. In-service workshops for educators help teachers incorporate fiber art activities into school curriculum. The Organization also participates in joint ventures with corporations and cultural organizations, coordinating fiber art activities and service as a liaison to the textile community.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Textile Center of Minnesota, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets resulting from contributions with donor-imposed stipulations that neither expire with time nor may be fulfilled by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statement 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.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

Investments

Investments in certificate of deposits, marketable securities and debt securities are valued at their fair values in the statement of financial position on a recurring basis. Unrealized gains and losses are included in the change in net assets.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of books, notions, dyes and paints used in the Organization's various programs. Inventory is valued at cost, determined on a weight-average basis.

Property and Equipment

All expenditures for land, buildings (or leasehold improvements), and equipment exceeding \$750 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net asset to unrestricted net assets at that time.

Library Collectibles

The library collectibles represent rare, valuable books that are held in the library reserve. Donations of library collectibles are recorded at their estimated fair value at the date of donation. No provision has been made for depreciation, as library collectibles retain their values. The Organization has recorded \$2,886 and \$3,971 in library collectibles for the years ended March 31, 2010 and 2009, respectively.

Unrestricted Board Designated Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate amounts of unrestricted net assets to assure adequate financing for such improvements and acquisitions.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Income Tax

Textile Center of Minnesota has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform to the presentation in the current year financial statements. These reclassifications had no effect on reported net income.

Subsequent Events

Textile Center of Minnesota has evaluated the effect that subsequent events would have on the financial statements through July 29, 2010, which is the date financial statements were available to be issued.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

2. Significant Concentrations of Credit Risk

Textile Center of Minnesota provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of which are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

3. Investments

The Organization held the following investments as of:

	March 31,			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Marketable Equity Securities	\$ 158,803	\$ 155,142	\$ 116,231	\$ 71,581
Marketable Debt Securities	35,854	37,623	52,297	49,709
Money Market Funds	5,331	5,331	-	-
Certificates of Deposit	69,887	71,320	80,000	79,855
	<u>\$ 269,875</u>	<u>\$ 269,416</u>	<u>\$ 248,528</u>	<u>\$ 201,145</u>

Components of Investment Income (Loss) in the years ending March 31, 2010 and 2009 are as follows:

	2010	2009
Interest and Dividend Income	\$ 2,808	\$ 5,899
Unrealized Gain (Loss)	46,413	(47,383)
Realized Gain (Loss)	(393)	-
	<u>\$ 48,828</u>	<u>\$ (41,484)</u>

4. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

4. Fair Value (continued)

The following is a summary of the inputs used to determine the fair value of the investments at March 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Equity Securities	\$ 155,142	\$ -	\$ -	\$ 155,142
Marketable Debt Securities	37,623	-	-	37,623
Certificates of Deposit	71,320	-	-	71,320
Pledges Receivable	-	6,665	-	6,665
Total	<u>\$ 264,085</u>	<u>\$ 6,665</u>	<u>\$ -</u>	<u>\$ 270,750</u>

5. Pledges Receivable

Pledges receivable represents amounts owed to the Organization from individuals, corporations, foundations, and other nonprofit organizations, for the purpose of making improvements to the building. The outstanding balance of pledges receivable at March 31, 2010 and 2009, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending March 31,</u>	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 8,460
2011	10,763	8,438
2012	1,125	1,125
2013	<u>1,125</u>	<u>1,125</u>
Gross Pledges Receivable	13,013	19,148
Less Allowance for Doubtful Pledges	3,200	-
Less Discount to Present Value at 6%	<u>3,148</u>	<u>3,148</u>
Net Pledges Receivable	6,665	16,000
Less Portion Due Within One (1) Year	<u>4,415</u>	<u>8,460</u>
Long-term Portion	<u>\$ 2,250</u>	<u>\$ 7,540</u>

6. Property and Equipment

The Organization owned the following as of:

	<u>March 31,</u>		<u>Estimated</u>
	<u>2010</u>	<u>2009</u>	<u>Useful Lives</u>
Land	\$ 106,700	\$ 106,700	
Buildings	1,639,726	1,639,726	20-35 years
Furniture and Equipment	145,038	135,448	5-10 years
Library Collectables	<u>15,647</u>	<u>12,761</u>	
	1,907,111	1,894,635	
Less Accumulated Depreciation	<u>498,627</u>	<u>440,448</u>	
	<u>\$ 1,408,484</u>	<u>\$ 1,454,187</u>	

Depreciation expense of \$58,179 and \$43,498 was recorded for the years ended March 31, 2010 and 2009, respectively.

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

7. Line of Credit

The Organization has a revolving line of credit with Park Midway Bank that was established in April 2008. The line of credit is for \$75,000 with simple interest at a rate of 7.75%. The line of credit will expire, unless renewed, in April of 2011. There was no activity for the years ended March 31, 2010 and 2009, respectively.

8. Retirement Plan

The Organization sponsors a 403(b) deferral only plan for all employees who have met the eligibility requirements. The plan allows employees to contribute pre-tax compensation to the plan, subject to the limitations established by the Internal Revenue Service. The Organization does not match any employee contributions.

9. Related Party Transactions

Pro-bono legal and accounting services were provided by board members and their firms during the years ended March 31, 2010 and 2009. The fair values of these services were \$-0- and \$8,638 for the years ended March 31, 2010 and 2009, respectively.

10. Permanently Restricted Net Assets

Permanently Restricted Net Assets arise from investments in perpetuity. The Permanently Restricted Net Assets are restricted to donor intended purposes only:

	March 31,	
	2010	2009
Joan Mondale Gallery	\$ 137,080	\$ 137,080

11. In-kind Contributions

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of:

	March 31,	
	2010	2009
Supplies	\$ 26,395	\$ 31,070
Printing	1,000	2,530
Professional Fees	-	9,688
Development Expense	-	2,417
	\$ 27,395	\$ 45,705

TEXTILE CENTER OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010 AND 2009

12. Endowment Fund

The Organization's endowment consists of funds established for the Joan Mondale Gallery. Its endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota 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, Textile Center of Minnesota defines permanently restricted assets as:

- (a) the original value of gifts donated to the permanent endowment,
- (b) the original value of subsequent gifts to the permanent endowment,
- (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.

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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$-0- and \$26,518 as of March 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during 2009.

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12. Endowment Fund (continued)

Investment Objectives and Strategies

The Organization has adopted an investment policy to provide guidelines for investing in a manner that is intended to maintain the practicing power of the current assets and all future contributions to maximize return within reasonable and prudent level of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

Spending Policy

The Organization has a policy of appropriating for distribution each year no less than a fixed percent of the average quarterly value based on the prior 20 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. At no time will the distributions reduce the value of the endowment below donor restricted contributions.

Endowment net asset composition by and changes in endowment net assets for the years ended March 31 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
Donor Restricted	\$ (26,518)	\$ -	\$ 137,080	\$ 110,562
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
Donor Restricted	\$ -	\$ 31,988	\$ 137,080	\$ 169,068

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12. Endowment Fund (continued)

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
March 31, 2008	\$ -	\$ -	\$ 145,298	\$ 145,298
Adoption of FSP 117-1 Endowments	-	8,218	(8,218)	-
Investment Return:				
Investment Income	-	-	-	-
Net Depreciation	(14,997)	(8,218)	-	(23,218)
Fees and Charge	-	-	-	-
Total Investment Return	<u>(14,997)</u>	<u>(8,218)</u>	<u>-</u>	<u>(23,218)</u>
Appropriation of Endowment Assets for Expenditure	<u>(11,521)</u>	<u>-</u>	<u>-</u>	<u>(11,521)</u>
March 31, 2009	(26,518)	-	137,080	110,562
Contributions	-	-	-	-
Transferred In	20,000	-	-	20,000
Investment Return:				
Investment Income	-	-	-	-
Net Appreciation	6,518	31,988	-	38,506
Fees and Charge	-	-	-	-
Total Investment Return	<u>6,518</u>	<u>31,988</u>	<u>-</u>	<u>38,506</u>
March 31, 2010	<u>\$ -</u>	<u>\$ 31,988</u>	<u>\$ 137,080</u>	<u>\$ 169,068</u>