AMHERST H. WILDER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

AMHERST H. WILDER FOUNDATION
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Amherst H. Wilder Foundation
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of Amherst H. Wilder Foundation and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 15, 2018

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,932,288	$ 1,663,397
Accounts and Pledges Receivable, Net	6,485,646	6,062,754
Deferred Interest Rate Swap	464,941	251,928
Other Current Assets	459,786	594,153
Total Current Assets	9,342,661	8,572,232
LAND, BUILDING, AND EQUIPMENT - Net	29,827,656	31,199,335
OTHER ASSETS		
Accounts and Pledges Receivable - Noncurrent Portion	586,933	229,934
Investments	132,864,442	136,455,840
Beneficial Interest in Trusts	1,262,003	1,140,956
Total Other Assets	134,713,378	137,826,730
Total Assets	$ 173,883,695	$ 177,598,297
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 731,119	$ 724,315
Other Accrued Liabilities	152,281	155,535
Accrued Payroll, Benefits, Taxes, and Withholdings	3,407,487	3,323,966
Deferred Income	1,262,644	1,570,983
Current Portion of Charitable Annuities	2,647	16,570
Current Portion of Long-Term Debt	1,847,416	1,778,740
Total Current Liabilities	7,403,594	7,570,109
LONG-TERM LIABILITIES		
Charitable Annuities, Less Current Portion	17,302	64,042
Accrued Pension Liability	12,887,317	14,480,809
Asset Retirement Obligation	61,472	60,204
Long-Term Debt, Less Current Portion	30,630,597	32,456,037
Total Long-Term Liabilities	43,596,688	47,061,092
Total Liabilities	51,000,282	54,631,201
NET ASSETS		
Unrestricted	12,587,844	5,351,082
Temporarily Restricted	99,048,283	106,643,108
Permanently Restricted	11,247,286	10,972,906
Total Net Assets	122,883,413	122,967,096
Total Liabilities and Net Assets	$ 173,883,695	$ 177,598,297

See accompanying Notes to Consolidated Financial Statements.

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Revenue:								
Government Fees and Grants	$ 22,251,012	$ -	$ -	$ 22,251,012	$ 18,562,514	$ -	$ -	$ 18,562,514
Private Contracts and Fees	1,982,302	-	-	1,982,302	1,835,176	-	-	1,835,176
Consulting Revenues	4,013,610	-	-	4,013,610	3,604,672	-	-	3,604,672
Other Gains	209,380	-	-	209,380	523,882	-	-	523,882
Endowment Appropriation for Operations	203,731	14,842,355	-	15,046,086	188,547	16,171,194	-	16,359,741
Total Revenue	28,660,035	14,842,355	-	43,502,390	24,714,791	16,171,194	-	40,885,985
Support:								
Contributions and Private Grants	2,399,097	2,780,469	274,380	5,453,946	30,218	4,849,235	185,695	5,065,148
Net Assets Released from Restrictions	17,572,452	(17,572,452)	-	-	21,694,017	(21,694,017)	-	-
Total Revenue and Support	48,631,584	50,372	274,380	48,956,336	46,439,026	(673,588)	185,695	45,951,133
EXPENSES								
Program Service:								
Wilder Programs	24,357,182	-	-	24,357,182	23,380,895	-	-	23,380,895
Wilder Research	8,906,774	-	-	8,906,774	9,271,176	-	-	9,271,176
Wilder Center for Communities	5,959,616	-	-	5,959,616	5,969,489	-	-	5,969,489
Total Program Service	39,223,572	-	-	39,223,572	38,621,560	-	-	38,621,560
Support Service:								
General and Administrative	4,824,435	-	-	4,824,435	4,927,456	-	-	4,927,456
Fundraising	1,621,458	-	-	1,621,458	1,408,032	-	-	1,408,032
Total Support Service	6,445,893	-	-	6,445,893	6,335,488	-	-	6,335,488
Total Expenses	45,669,465	-	-	45,669,465	44,957,048	-	-	44,957,048
Subtotal Before Investment Activity and Pension Change	2,962,119	50,372	274,380	3,286,871	1,481,978	(673,588)	185,695	994,085

See accompanying Notes to Consolidated Financial Statements.

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INVESTMENT ACTIVITY								
Investment Gains	$ 364,001	$ 7,197,158	$ -	$ 7,561,159	$ 332,678	$ 13,331,282	$ -	$ 13,663,960
Endowment Appropriation for Operations	(203,731)	(14,842,355)	-	(15,046,086)	(188,547)	(16,171,194)	-	(16,359,741)
Net Investment Losses	160,270	(7,645,197)	-	(7,484,927)	144,131	(2,839,912)	-	(2,695,781)
Additional Pension Change	4,114,373	-	-	4,114,373	7,272,376	-	-	7,272,376
CHANGE IN NET ASSETS	7,236,762	(7,594,825)	274,380	(83,683)	8,898,485	(3,513,500)	185,695	5,570,680
Net Assets - Beginning of Year	5,351,082	106,643,108	10,972,906	122,967,096	(3,547,403)	110,156,608	10,787,211	117,396,416
NET ASSETS - END OF YEAR	$ 12,587,844	$ 99,048,283	$ 11,247,286	$ 122,883,413	$ 5,351,082	$ 106,643,108	$ 10,972,906	$ 122,967,096

See accompanying Notes to Consolidated Financial Statements.

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Support Services				
	Wilder Programs	Wilder Research	Wilder Center for Communities	General and Administrative	Fundraising	Operations Subtotal	Investments	Total
Salaries	$ 13,111,431	$ 5,435,460	$ 2,200,235	$ 3,191,085	$ 833,706	$ 24,771,917	$ 157,465	$ 24,929,382
Employee Benefits and Payroll Taxes	3,234,284	1,243,333	571,132	526,305	155,987	5,731,041	41,268	5,772,309
Pension Expense	1,335,985	575,038	229,974	279,766	67,082	2,487,845	33,036	2,520,881
Total Personnel Costs	17,681,700	7,253,831	3,001,341	3,997,156	1,056,775	32,990,803	231,769	33,222,572
Business Expenses	208,151	94,235	50,752	98,070	6,238	457,446	331	457,777
Professional Fees	660,408	238,925	845,895	508,729	277,079	2,531,036	690,829	3,221,865
Program Expenses	1,067,601	270,814	481,206	127,935	58,364	2,005,920	2,411	2,008,331
Transportation	118,402	-	22,793	12,711	-	153,906	-	153,906
Insurance	153,025	36,708	16,296	111,384	1,536	318,949	29,484	348,433
Software	17,983	56,173	1,155	213,517	30,045	318,873	-	318,873
Assistance to Individuals	1,623,270	-	858,860	-	-	2,482,130	-	2,482,130
Bad Debt Expense	34,212	-	-	-	(10,782)	23,430	-	23,430
Minor Equipment	37,550	31,616	1,076	179,331	25,802	275,375	-	275,375
Facilities*	1,944,113	537,004	445,634	(1,451,680)	57,296	1,532,367	(198,857)	1,333,510
Interest and Financial Expense	191,741	77,421	32,559	787,912	15,499	1,105,132	517,173	1,622,305
Miscellaneous	16,142	2,801	5,466	25,400	71,940	121,749	3,679	125,428
Total Expense Before Depreciation and Discontinued Operations	23,754,298	8,599,528	5,763,033	4,610,465	1,589,792	44,317,116	1,276,819	45,593,935
Depreciation	602,884	307,246	196,583	213,970	31,666	1,352,349	380,651	1,733,000
Total Expenses	$ 24,357,182	$ 8,906,774	$ 5,959,616	$ 4,824,435	$ 1,621,458	$ 45,669,465	$ 1,657,470	$ 47,326,935

* This line includes allocations of other costs.

See accompanying Notes to Consolidated Financial Statements.

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services			Support Services				
	Wilder Programs	Wilder Research	Wilder Center for Communities	General and Administrative	Fundraising	Operations Subtotal	Investments	Total
Salaries	$ 12,073,901	$ 5,531,123	$ 2,038,789	$ 3,137,301	$ 645,604	$ 23,426,718	$ 130,247	$ 23,556,965
Employee Benefits and Payroll Taxes	2,838,903	1,232,711	475,504	467,238	134,471	5,148,827	34,250	5,183,077
Pension Expense	1,733,895	783,430	293,960	448,633	63,162	3,323,080	47,275	3,370,355
Total Personnel Costs	16,646,699	7,547,264	2,808,253	4,053,172	843,237	31,898,625	211,772	32,110,397
Business Expenses	144,924	92,319	51,815	160,580	4,366	454,004	74	454,078
Professional Fees	712,672	248,011	1,313,376	422,481	138,276	2,834,816	638,458	3,473,274
Program Expenses	1,172,618	223,928	500,009	144,749	103,801	2,145,105	625	2,145,730
Transportation	116,016	-	17,948	11,213	-	145,177	-	145,177
Insurance	174,227	26,172	18,096	121,716	1,752	341,963	32,028	373,991
Software	20,562	73,290	541	235,494	23,180	353,067	-	353,067
Assistance to Individuals	1,412,308	-	526,225	-	-	1,938,533	-	1,938,533
Bad Debt Expense	39,026	3,150	1,050	-	54,305	97,531	-	97,531
Minor Equipment	43,893	3,423	5,092	183,837	49,111	285,356	-	285,356
Facilities*	1,925,333	545,575	453,491	(1,512,704)	60,090	1,471,785	(153,766)	1,318,019
Interest and Financial Expense	202,465	86,556	35,535	815,728	11,764	1,152,048	553,226	1,705,274
Miscellaneous	42,289	9,803	14,143	35,480	77,566	179,281	1,033	180,314
Total Expense Before Depreciation and Discontinued Operations	22,653,032	8,859,491	5,745,574	4,671,746	1,367,448	43,297,291	1,283,450	44,580,741
Depreciation	727,863	411,685	223,915	255,710	40,584	1,659,757	351,763	2,011,520
Total Expenses	$ 23,380,895	$ 9,271,176	$ 5,969,489	$ 4,927,456	$ 1,408,032	$ 44,957,048	$ 1,635,213	$ 46,592,261

* This line includes allocations of other costs.

See accompanying Notes to Consolidated Financial Statements.

AMHERST H. WILDER FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (83,683)	$ 5,570,680
Adjustments to Reconcile Change in Net Asset to		
Net Cash Used by Operating Activities:		
Contributions Restricted for Endowment	(274,380)	(185,695)
Depreciation and Amortization	1,733,000	2,011,520
Loss on Disposal of Land, Building, and Equipment	47,021	-
Net Realized and Unrealized Gain on Investments	(5,603,594)	(12,617,940)
Change in Value of Beneficial Interest in Trusts	(121,047)	(101,950)
Change in Value of Charitable Annuities	(44,266)	12,031
Adjustment for Pension Liability	(4,114,373)	(7,272,376)
(Increase) Decrease in:		
Accounts and Pledges Receivable	(779,891)	(572,797)
Other Assets	134,367	(250,444)
Increase (Decrease) in:		
Accounts Payable	6,804	(231,173)
Other Accrued Liabilities	(3,254)	28,137
Accrued Payroll, Benefits, Taxes, and Withholdings	84,789	(73,517)
Deferred Income	(308,339)	134,506
Accrued Pension Liability	2,520,881	3,370,355
Net Cash Used by Operating Activities	(6,805,965)	(10,178,663)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Building, and Equipment	(408,342)	(365,920)
Purchase of Investments	(56,845,082)	(49,512,657)
Proceeds from Sale of Investments	66,040,074	62,091,071
Net Cash Provided by Investing Activities	8,786,650	12,212,494
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred Interest Rate Swap	(213,013)	(374,358)
Contributions Restricted for Endowment	274,380	185,695
Payments on Charitable Annuities	(16,397)	(17,647)
Long-Term Debt Payments	(1,756,764)	(1,630,001)
Net Cash Used by Financing Activities	(1,711,794)	(1,836,311)
NET INCREASE IN CASH AND CASH EQUIVALENTS	268,891	197,520
Cash and Cash Equivalents - Beginning of Year	1,663,397	1,465,877
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,932,288	$ 1,663,397
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 1,520,225	$ 1,591,844

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Amherst H. Wilder Foundation (the Foundation) was originally created as three charitable organizations under the will of three donors, Amherst H. Wilder, Cornelia Day Wilder Appleby, and Fanny S. Wilder. In 1910, Ramsey County District Court (the Court) directed consolidation of the three related corporations into the Amherst H. Wilder Charity, a Minnesota nonprofit corporation. In 1951, with the Court's consent, the name was changed to the Amherst H. Wilder Foundation. The Foundation continues to be under the supervision of the Court and is subject to the general oversight of the Minnesota Attorney General's Office.

The Foundation is a charitable nonprofit corporation created to promote and aid the social welfare of the poor, sick, disadvantaged, and otherwise needy persons located in the greater Saint Paul, Minnesota metropolitan area, which consists of Ramsey, Washington, Dakota, and Anoka counties.

Foundation activities are reported in three primary service groups:

- Wilder Programs provide a wide variety of services to children, families, single adults, and the elderly including: behavioral health services, housing and employment services, child care, and health care and supportive services.

- Wilder Research offers program evaluation, support, and research services.

- Wilder Center for Communities brings people together through leadership programs, community initiatives, public policy, convening, and volunteerism.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries. AHW Corporation (AHW), was incorporated under the Minnesota Nonprofit Corporation Act in 1981 to develop, construct, and market the Saint Paul Energy Park projects (Energy Park). The Holcomb Corporation (Holcomb) is a Minnesota corporation that serves as general partner for certain continuing partnership relationships at Energy Park. 46th East Fourth Street, Inc. is a Minnesota corporation that serves as the special managing member of Minnesota Place, LLC, which owns and operates an affordable housing project in St. Paul. All significant inter-company accounts and transactions have been eliminated in consolidation. Only 46th East Fourth Street, Inc. was active during the fiscal years ended June 30, 2018 and 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets and revenues, support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein are classified into the following three categories:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Foundation or passage of time.

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

The Foundation has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

Tax-Exempt Status

The Foundation has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statutes. The Foundation has been classified as an organization that is a public charity under the IRC and charitable contributions by the donors are tax deductible. Investment holdings can generate unrelated business income tax.

The Foundation has adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy describes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the Foundation's consolidated financial statements.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits. In addition, a portion of the investment portfolio may be invested in cash equivalents and has been reflected as investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Foundation provides an allowance for uncollectible accounts based on the reserve method using management's judgment and the Foundation's approved policy. Accounts that are more than 30 days past due are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the Foundation's policy as well as historical experience of the Foundation. The Foundation's policy is based on determined percentages of outstanding receivables by age of the balance and specific identification. When all collection efforts have been exhausted, the receivable is written off against the related reserve. Accounts receivable balance as of June 30, 2018 and 2017 was $5,163,293 and $4,702,249, respectively, including allowance for uncollectible accounts of $14,706 and $21,672, respectively.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges are not included as support until such time as the conditions are substantially met.

Land, Building, and Equipment

Property and equipment acquisitions in excess of $5,000 depending on classification are recorded at cost. Donated items are recorded at fair value on the date received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Investments

The direct investment in real estate is valued at the lower of cost or market. All other investments are stated at fair value. The net changes in market prices and the realized gains and losses on investments sold are reflected in the consolidated statements of activities as investment income. Due to the market volatility with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statement of activities.

Fair Value Measurements

The Foundation has categorized its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in nonactive markets;
- pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments).

Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition, are less than its carrying amount.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Income

Program services fees that are collected in advance of the period of service are included in deferred income. These fees are recorded as deferred income until they are earned.

Deferred Financing Costs

Deferred financing costs consist of finance and closing costs of tax-exempt revenue bonds. These amounts are being amortized over the life of the related liability. These costs are presented net with the related long-term debt (Note 9).

Government Fees and Grants

Government contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Foundation will record such disallowance at the time the final assessment is made.

Service group revenues include private and government fees received for services provided to individuals, as well as grants, gifts, and service contracts with government agencies. Fee revenue and revenue under service contracts are recognized as services are performed.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

The Foundation reports gifts as either temporarily or permanently restricted support if they are 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 as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Functional Expense Allocation

Expenses are allocated based on direct expenses whenever possible. Indirect expenses are allocated based on the best estimates of management.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain Risks and Uncertainties

The Foundation invests in various securities including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 15, 2018, the date the consolidated financial statements were issued.

NOTE 2 PLEDGES RECEIVABLE

The present value of the estimated realizable value of pledges receivable are recorded as assets and revenues in the consolidated financial statements. Unconditional promises are summarized as follows:

	2018	2017
Unconditional Pledges Receivable	$ 2,054,253	$ 1,733,801
Unamortized Discount	(62,504)	(44,435)
Allowance for Uncollectible Accounts	(82,463)	(98,927)
Total	$ 1,909,286	$ 1,590,439
Amounts Due in:		
Less Than One Year	$ 1,404,816	$ 1,459,432
One to Five Years	649,437	274,369
Total	$ 2,054,253	$ 1,733,801

NOTE 2 PLEDGES RECEIVABLE (CONTINUED)

Unconditional promises to give expected to be received over more than one year are recorded by the Foundation at their present value using a discount rate of 4.3% and 3.7% at June 30, 2018 and 2017, respectively.

NOTE 3 LAND, BUILDING, AND EQUIPMENT

Cost and related accumulated depreciation for continuing operations at June 30 were:

	2018		2017	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 3,395,116	$ -	$ 3,395,116	$ -
Land Improvements	2,386,215	1,123,731	2,382,576	1,005,674
Buildings and Building Improvements	33,445,225	10,516,724	33,425,064	9,632,104
Construction in Progress	13,030	-	6,669	-
Equipment	8,075,639	5,891,963	8,850,929	6,291,654
Vehicles	105,033	60,184	105,033	36,620
Total	$ 47,420,258	$ 17,592,602	$ 48,165,387	$ 16,966,052
Land, Buildings, and Equipment	$ 29,827,656		$ 31,199,335	

Depreciation expense was $1,733,000 and $2,011,520 as of June 30, 2018 and 2017, respectively.

NOTE 4 INVESTMENTS

The following is a summary of investments in securities at June 30:

	2018	2017
Cash Equivalents	$ 2,417,175	$ 7,509,236
U.S. Government Agency Bonds	11,792,510	9,483,686
Corporate Bonds	15,899,376	10,348,689
International Equity Funds	39,436,541	46,524,943
Domestic Large Cap Equity Funds	16,889,029	17,512,776
Domestic Small-Mid Cap Equity Funds	10,713,919	10,017,530
Private Equity Limited Partnerships	6,607,177	6,646,211
Real Estate Limited Partnerships	1,909,467	2,933,847
Real Estate Investments	6,272,862	6,334,946
Hedge Funds	15,219,602	14,585,457
Commodities	5,706,784	4,558,519
Total Investments	$ 132,864,442	$ 136,455,840

NOTE 4 INVESTMENTS (CONTINUED)

The following is a summary of investment activity during the years ended June 30:

	2018	2017
Net Realized and Unrealized Gains on Investments	$ 5,603,594	$ 12,617,940
Interest and Dividends	3,615,035	2,681,233
Investment Expenses	(1,657,470)	(1,635,213)
Endowment Appropriation for Operations	(15,046,086)	(16,359,741)
Total Investment Losses	$ (7,484,927)	$ (2,695,781)

NOTE 5 BENEFICIAL INTEREST IN TRUSTS

The Foundation receives contributions of property in which the donor may retain in life interest. The assets are invested and administered by an unrelated trustee and distributions are made to the beneficiaries during the term of the agreement. These funds are invested in debt and equity securities and the Foundation records its interest in these trusts at fair value based on estimated future cash receipts discounted at the applicable federal rate of return which was determined to be 4.8% to 5.0% at June 30, 2018. Initial recognition and subsequent adjustments to the assets carrying value are recognized as contribution revenue and changes in value of split interest agreements, respectively, and are classified as permanently restricted, temporarily restricted, or unrestricted depending on donor-stipulated purpose and time restrictions, if any. The value of these trusts was $1,262,003 and $1,140,956 at June 30, 2018 and 2017, respectively. All trusts are temporarily and/or permanently restricted.

NOTE 6 FAIR VALUE MEASUREMENTS

Spending Rate

The Foundation’s board of directors has adopted a spending rate policy whereby a predetermined amount of endowment investment income is provided to fund current operations. The spending rate reflected in unrestricted net assets was $203,731 and $188,547 in the years ended June 30, 2018 and 2017, respectively. The spending rate reflected in temporarily restricted net assets was $14,842,355 and $16,171,194 in the years ended June 30, 2018 and 2017, respectively.

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Use of Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

Fair Value Classifications

The following tables set forth the Foundation's assets that are measured and recognized at fair value on a recurring basis as of June 30, 2018 and 2017, under the appropriate level of the fair value hierarchy. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Agency Bonds	$ 11,792,510	$ -	$ -	$ 11,792,510
Corporate Bonds	15,899,376	-	-	15,899,376
International Equity Funds	38,056,007	1,380,534	-	39,436,541
Domestic Large Cap Equity Funds	16,889,029	-	-	16,889,029
Domestic Small-Mid Cap Equity Funds	10,713,919	-	-	10,713,919
Commodities	5,706,784	-	-	5,706,784
Investments Accounted for at Net Asset Value	-	-	-	23,736,246
Total Investments	$ 99,057,625	$ 1,380,534	$ -	$ 124,174,405
Beneficial Interest in Trusts	$ -	$ -	$ 1,262,003	$ 1,262,003

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Agency Bonds	$ 9,483,686	$ -	$ -	$ 9,483,686
Corporate Bonds	10,348,689	-	-	10,348,689
International Equity Funds	45,334,081	1,190,862	-	46,524,943
Domestic Large Cap Equity Funds	17,512,776	-	-	17,512,776
Domestic Small-Mid Cap Equity Funds	10,017,530	-	-	10,017,530
Commodities	4,558,519	-	-	4,558,519
Investments Accounted for at Net Asset Value	-	-	-	24,165,515
Total Investments	$ 97,255,281	$ 1,190,862	$ -	$ 122,611,658
Beneficial Interest in Trusts	$ -	$ -	$ 1,140,956	$ 1,140,956

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following tables provide a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended June 30, 2018 and 2017:

	Beneficial Interest in Trusts
Balance - July 1, 2017	$ 1,140,956
Change in Value of Trusts	121,047
Balance - June 30, 2018	$ 1,262,003

	Beneficial Interest in Trusts
Balance - July 1, 2016	$ 1,039,006
Change in Value of Trusts	101,950
Balance - June 30, 2017	$ 1,140,956

Net Asset Value Per Share

The Foundation invests primarily in investment funds, limited partnerships, or interest bearing securities, referred to collectively for this purpose as investment funds. Investment funds are presented in the accompanying consolidated financial statements at fair value as determined under FASB Accounting Standards Codification ASC 820: *Fair Value Measurements and Disclosures*. In situations where the investment fund does not have a readily determinable fair value and meets other eligibility criteria, the Foundation measures fair value based on net asset value per share or its equivalent. The following table lists investments in investment funds by major category:

	2018 Net Asset Value	2017 Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Limited Partnerships	$ 6,607,177	$ 6,646,211	$ 7,055,000	N/A	N/A
Hedge Funds	15,219,602	14,585,457	-	Quarterly	60 Days
Real Estate Limited Partnerships	1,909,467	2,933,847	1,438,000	N/A	N/A
Total	$ 23,736,246	$ 24,165,515	$ 8,493,000		

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Basis for Fair Value Measurements

Private Equity Limited Partnerships

Private equity limited partnerships include private equity investments funds holding underlying positions in private assets. Underlying investments are valued quarterly and have restrictive liquidity provisions. Investing in private equity provides diversification, growth potential, and wider market access to the overall portfolio.

Hedge Fund Investments

Hedge fund investments of the Foundation include two strategies; one focused on a skill-based complement to traditional equity investment strategies by targeting equity-like returns over time with half the level of traditional equity volatility. A second piece to the Foundation's hedge fund strategy is a skill-based complement to traditional fixed-income investment strategies by targeting traditional bond-like returns while reducing the risk to inflation and rising interest rates over time. Each of the strategies consists of a blend of 12-18 diverse managers to further reduce risk and increase diversification within the portfolio. Redemptions from these funds are limited to quarterly after an initial 12-month lock-up period. Both of these strategies provide diversification and growth potential to the overall portfolio.

Real Estate Limited Partnerships

Real estate limited partnerships represent participation in limited partnerships that invest in commercial properties at various stages of development. Underlying investments are valued quarterly and have restrictive liquidity provisions. Real estate provides diversification, dividend income, and growth potential to the overall portfolio.

NOTE 7 SELF-INSURED BENEFIT LIABILITIES

Workers' Compensation

The Foundation is self-insured for workers' compensation. As of June 30, 2018 and 2017, the Foundation has recorded liabilities of $128,882 and $197,434, respectively, for claims incurred but not yet reported. This liability has been recorded within Accrued Payroll, Benefits, Taxes, and Withholdings on the consolidated statements of financial position.

Consulting actuaries assist the Foundation in determining its liability for their various self-insured plans.

NOTE 8 CHARITABLE GIFT ANNUITIES PAYABLE

The Foundation has established a gift annuity program whereby donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution. The difference between the amount provided for the gift annuity and the present value of the liability for future payments is recognized as unrestricted contributions at the date of the gift, unless donor has established restrictions on the contribution component. The Foundation uses published mortality rate tables adopted by the United States Internal Revenue Service. The annuity liability is revalued annually based upon computed present values. Resulting gain (loss) is recorded as revenue in the appropriate net asset class. Total charitable gift annuity liabilities as of June 30, 2018 and 2017 were $19,949 and $80,612, respectively.

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

Description	2018	2017
Bonds Payable:		
Series 1998 Pooled Revenue Bonds (Care Choice Member Projects), due serially through August 1, 2023, interest at 4.25% to 5.75%, secured by real and personal property.	$ 850,000	$ 980,000
Port Authority of the City of St. Paul, Series 2010-3 Variable Rate Demand Revenue Bonds (Wilder Center), due in varying annual payments through December 1, 2036, interest varies from 3.0% - 5.0% (4.0% at June 30, 2018 and 2017).	23,480,000	24,260,000
Subtotal Bonds Payable	24,330,000	25,240,000
Mortgages:		
Real Estate Term Note, Wilder Center, payable in variable monthly installments starting August 1, 2016, interest stated at 2.25% + LIBOR, due on June 30, 2026	8,454,571	9,323,312
Total Long-Term Debt	32,784,571	34,563,312
Less: Current Maturities of Long-Term Debt	(1,847,416)	(1,778,740)
Less: Debt Issuance Costs	(306,558)	(328,535)
Long-Term Debt, Excluding Current Maturities and Debt Issuance Costs	$ 30,630,597	$ 32,456,037

NOTE 9 LONG-TERM DEBT (CONTINUED)

At June 30, 2018, the long-term debt installments are due in the following fiscal years:

Year Ending June 30,	Amount
2019	$ 1,847,416
2020	1,922,618
2021	1,994,270
2022	2,079,212
2023	2,165,714
Thereafter	22,775,341
Total Long-Term Debt	$ 32,784,571

Interest expense was $1,520,225 and $1,591,844 during the years ended June 30, 2018 and 2017, respectively.

Line of Credit

The Foundation has entered into a revolving line of credit agreement with a bank under which the bank will make advances to the Foundation, if needed for worker's compensation, not to exceed at any time $1,000,000. The revolving line of credit bears interest either at (i) a fluctuating rate of 1.5% above the base rate effect from time to time or (ii) a fixed rate of 1.5% above LIBOR as selected by the Foundation and the bank, and expires June 30, 2020. There have been no borrowings on the line as of June 30, 2018 and 2017.

The credit agreement is secured by all investments held by the Foundation in one of its accounts with the bank. The agreement also requires the Foundation to maintain, among other provisions, a specified unrestricted fund balance and investment grade securities with the bank.

Deferred Interest Rate Swap

In conjunction with the mortgage, the Foundation entered into an interest rate swap agreement with a financial institution to minimize the risks associated with market rate fluctuations due to the variable rate of the mortgage (one-month LIBOR + 2.25%). Pursuant to the terms of the interest rate swap agreement, the Foundation pays interest to the financial institution at a fixed rate of 3.717%. As of June 30, 2018, the notional amount of the swap agreement was consistent with the outstanding amount of the loan noted in the table above. At June 30, 2018 and 2017, the fair value of the swap agreement was $464,941 and $251,928, respectively.

NOTE 10 BENEFIT PLANS

Defined Benefit Plan

The Foundation has a defined benefit pension plan. Effective November 15, 2009, the plan was amended to freeze participation and benefit accruals so that no employee of the Foundation may first become a participant in the plan on or after that date and no participant in the plan may accrue any benefits on or after that date. The benefits are based on years of service and the employee's compensation during the last five years of employment.

The measurement dates used for the plan disclosures are as of June 30, 2018 and 2017, and for the years then ended.

The changes in the projected benefit obligation are as follows:

	2018	2017
Change in Projected Benefit Obligation:		
Projected Benefit Obligation - Beginning of Year	$ 75,409,127	$ 79,313,571
Interest Cost	2,843,280	2,882,377
Changes in Actuarial Assumptions	(3,227,779)	(2,241,055)
Benefits Paid	(3,950,334)	(3,858,339)
Plan Experience Different from that Expected	(447,312)	(687,427)
Projected Benefit Obligation - End of Year	$ 70,626,982	$ 75,409,127
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	$ 60,928,318	$ 60,930,741
Benefits and Expenses Paid	(4,686,876)	(4,562,277)
Actual Return on Plan Assets	1,498,223	4,559,854
Fair Value of Plan Assets - End of Year	$ 57,739,665	$ 60,928,318
Funded Status of the Plan:		
Benefit Obligation	$ 70,626,982	$ 75,409,127
Fair Value of Plan Assets	57,739,665	60,928,318
Excess of Benefit Obligation over Fair Value of Plan Assets	$ 12,887,317	$ 14,480,809
Components of Net Periodic Benefit Costs:		
Service Cost	$ 728,548	$ 838,921
Interest Cost	2,843,280	2,882,377
Expected Return on Plan Assets	(2,925,342)	(2,927,204)
Amortization of Unrecognized Net Actuarial Loss	1,874,395	2,576,261
Net Periodic Pension Cost	$ 2,520,881	$ 3,370,355

NOTE 10 BENEFIT PLANS (CONTINUED)

	2018	2017
Underfunded Plan Information:		
Projected Benefit Obligation - End of Year	$ 70,626,982	$ 75,409,127
Accumulated Benefit Obligation - End of Year	70,626,982	75,409,127
Fair Value of Assets - End of Year	57,739,665	60,928,318

Weighted average assumptions used to determine net periodic benefit cost are as follows:

	2018	2017
Actuarial Assumptions:		
Assumptions Used to Determine Benefit Obligations at June 30:		
Assumed Discount Rate	4.30 %	3.90 %
Assumed Annual Increase in Salaries	N/A	N/A
Assumptions For Net Periodic Benefit Cost at Previous July 1:		
Assumed Discount Rate	3.90 %	3.76 %
Assumed Annual Increase in Salaries	N/A	N/A
Expected Long-Term Return on Plan Assets	5.0 %	5.0 %

Basis Used to Determine Expected Long-Term Rate of Return

The determination of the long-term rate of return on assets for the years ended June 30, 2018 and 2017 was developed based on a transition from annuity contracts to equity securities. The overall long-term rate of return is assumed to be 5%.

Investment Policies and Strategies, Including Target Allocations

As of June 30, 2018 and 2017, the investment policy for the plan is to transition from the current insured LDI contract to a portfolio that includes 30% return-seeking assets.

The percentage of the fair value of total plan assets held as of June 30 (the measurement date) by asset category is as follows:

	2018	2017
Cash and Cash Equivalents	1.2%	1.4%
Equity Securities	23.8%	25.9%
Bonds	38.2%	31.3%
Other	36.7%	41.4%

NOTE 10 BENEFIT PLANS (CONTINUED)

The following tables represent the Foundation's fair value hierarchy for pension plan assets measured at fair value on a recurring basis as of June 30, 2018 and 2017.

	2018			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 671,224	$ -	$ -	$ 671,224
Equity Fund	-	13,770,157	-	13,770,157
Bonds	-	22,082,984	-	22,082,984
Other	-	21,215,300	-	21,215,300
Total	$ 671,224	$ 57,068,441	$ -	$ 57,739,665

	2017			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 858,166	$ -	$ -	$ 858,166
Equity Fund	-	15,756,968	-	15,756,968
Bonds	-	19,060,614	-	19,060,614
Other	-	25,252,570	-	25,252,570
Total	$ 858,166	$ 60,070,152	$ -	$ 60,928,318

The Foundation attempts to mitigate investment risk by rebalancing between classes as the Foundation's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

Expected Foundation contributions in fiscal year 2019 are $-0-. Estimated future benefit payments, which reflect expected future services, are as follows:

Year Ending June 30,	Amount
2019	$ 4,191,480
2020	4,236,929
2021	4,330,600
2022	4,408,357
2023	4,440,729
Thereafter	23,057,042

NOTE 10 BENEFIT PLANS (CONTINUED)

Defined Contribution Plan

Effective January 1, 2000, certain employees of the Foundation were covered by a defined contribution 401(k) plan whereby 50% of their initial 4% of salary contributions were matched.

This plan was amended effective January 1, 2007. Participants of the Amherst H. Wilder Foundation Retirement Plan (the Plan) as of July 1, 2006 who have made a Transition Program Election will continue to receive the matching contribution described above. Individuals who are not participants of the Plan as of July 1, 2006, or those who did not make a Transition Program Election, will receive a matching contribution equal to 75% of the first 3%, plus an additional 50% that exceeds 3% but does not exceed 5% of eligible earnings deferred by the employee.

In conjunction with the freezing of the Defined Benefit Plan noted above, the Foundation increased the contribution match to the Defined Contribution Plan. Effective January 1, 2010, the match for all eligible employees was set at 75% of the first 3%, plus an additional 50% that exceeds 3% but does not exceed 6% of eligible earnings deferred by the employee. In addition, the employer may make a discretionary contribution, which is determined annually. Such contribution will be allocated to participants who are credited with at least 780 hours of service and who were employed by the employer on the last day of the Plan year. Participants who, during the Plan year, (i) retire on or after age 65, (ii) die, or (iii) become disabled, need not satisfy the requirement of employment on the last day of the Plan year and hours of service in order to receive an employer discretionary contribution.

The total amounts charged to the consolidated statements of activities for the required and discretionary contributions for the years ended June 30, 2018 and 2017 were approximately $1,032,270 and $983,091, respectively.

NOTE 11 ASSET RETIREMENT OBLIGATIONS

During 2007, the Foundation completed asbestos abatement measurements of certain facilities. As of the date of measurement, the Foundation became legally obligated to remove the asbestos at the termination of the estimated useful lives. Accordingly, a liability has been established equal to the present value of the obligation, and the carrying amounts of the related assets have been increased by the same amount.

NOTE 11 ASSET RETIREMENT OBLIGATIONS (CONTINUED)

The following is a reconciliation of the aggregate retirement liability associated with the Foundation's obligation to dismantle and remove the asbestos:

	2018	2017
Balance - Beginning of Year	$ 60,204	$ 58,999
Increase in Present Value of the Obligation:		
Accretion Expense	1,268	1,205
Balance - End of Year	$ 61,472	$ 60,204

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Board-Designated Net Assets

The Foundation's board of directors has established a land, building, and equipment fund to provide for a portion of the replacement of property and equipment. Investments of $4,000,000 were designated for future capital additions by the Foundation at June 30, 2018 and 2017.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2018	2017
Wilder Programs	$ 1,831,829	$ 2,264,027
Wilder Center for Communities	32,767	207,674
Endowment Earnings	94,810,460	102,455,657
Wilder Research	524,266	216,636
Pledges for Future Periods	1,840,892	1,486,045
Capital Campaign Gifts	8,069	13,069
Total Temporarily Restricted Net Assets	$ 99,048,283	$ 106,643,108

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following as of June 30:

Description	2018	2017
Original endowment established by Amherst H. Wilder, Fanny S. Wilder, and Cornelia D. Appleby Wilder. Income expendable to support Foundation services (reported as unrestricted income)	$ 2,602,000	$ 2,602,000
Beneficial Interest in Trust, the income from which is expendable to support Wilder programs upon the end of the term of the Trust	1,114,758	1,003,049
Investments to be held in perpetuity, the income from which is expendable to support Wilder programs	6,522,665	6,359,994
Charitable Gifts under Annuity Contracts	7,863	7,863
Grant to establish an endowment for a center for children with reactive attachment disorders	1,000,000	1,000,000
Total Permanently Restricted Net Assets	$ 11,247,286	$ 10,972,906

Net Assets Released from Restrictions

Temporarily restricted net assets released from restrictions consist of the following as of June 30:

	2018	2017
Time and Purpose Restriction	$ 17,572,452	$ 21,694,017

NOTE 13 ENDOWMENT

Net Asset Classification

Temporarily restricted net assets consist of irrevocable charitable trusts, grants received but not earned, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

NOTE 13 ENDOWMENT (CONTINUED)

Board-Designated and Donor-Restricted Endowments

The Foundation has board-designated and donor-restricted endowment funds established for the purpose of securing the Foundation's long-term financial viability and continuing to meet the needs of children and families in the community. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the Foundation has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $2,411,569 as of June 30, 2018 and $2,396,763 as of June 30, 2017. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, private equity, absolute return, real assets, and fixed income, strategies. The majority of assets are invested in equity or equity like securities. Fixed income, real assets, and absolute return strategies are used to lower short-term volatility. Diversification by asset class, investment style, and investment manager is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than CPI plus 5%, currently estimated at 7.3%, over long periods of time.

NOTE 13 ENDOWMENT (CONTINUED)

Endowment Investment and Spending Policies (Continued)

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's policy for the use of endowment funding is a spending formula based on a 70% factor for prior expenses adjusted for inflation (60% from the previous year, 30% from two years ago, and 10% three years ago) plus a 30% factor based on 5.5% of the endowment balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The composition of endowment funds by type of fund are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 10,124,665	$ 10,124,665
Restricted Endowment Earnings	(2,411,569)	94,810,460	-	92,398,891
Board-Designated Endowment Funds	2,311,002	-	-	2,311,002
Total Endowment Funds	$ (100,567)	$ 94,810,460	$ 10,124,665	$ 104,834,558

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 9,950,994	$ 9,950,994
Restricted Endowment Earnings	(2,396,763)	102,455,657	-	100,058,894
Board-Designated Endowment Funds	2,514,733	-	-	2,514,733
Total Endowment Funds	$ 117,970	$ 102,455,657	$ 9,950,994	$ 112,524,621

NOTE 13 ENDOWMENT (CONTINUED)

A summary of changes in endowment net assets is as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance - June 30, 2017	$ 117,970	$ 102,455,657	$ 9,950,994	$ 112,524,621
Contributions	-	-	173,671	173,671
Earnings and Expenses:				
Investment Income	-	3,283,249	-	3,283,249
Investment Expenses	-	(1,657,470)	-	(1,657,470)
Unrealized and Realized Gains	-	5,556,573	-	5,556,573
Total Earnings and Expenses	-	7,182,352	-	7,182,352
Transfer of Unrestricted Earnings for Funds not Above Water	(14,806)	14,806	-	-
Appropriations	(203,731)	(14,842,355)	-	(15,046,086)
Endowment Fund Balance - June 30, 2018	$ (100,567)	$ 94,810,460	$ 10,124,665	$ 104,834,558

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance - June 30, 2016	$ 400,016	$ 104,838,521	$ 9,845,192	$ 115,083,729
Contributions	-	-	105,802	105,802
Earnings and Expenses:				
Investment Income	-	2,712,104	-	2,712,104
Investment Expenses	-	(1,635,213)	-	(1,635,213)
Unrealized and Realized Losses	-	12,617,940	-	12,617,940
Total Earnings and Expenses	-	13,694,831	-	13,694,831
Transfer of Unrestricted Earnings for Funds not Above Water	(93,499)	93,499	-	-
Appropriations	(188,547)	(16,171,194)	-	(16,359,741)
Endowment Fund Balance - June 30, 2017	$ 117,970	$ 102,455,657	$ 9,950,994	$ 112,524,621

NOTE 14 COMMITMENTS AND CONTINGENCIES

Litigation, Claims, and Disputes

The Foundation is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the financial position of the Foundation.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases

The Foundation leases certain vehicles and office equipment under terms of noncancelable operating leases expiring in various years through 2022. Aggregate annual minimum rental commitments under noncancelable operating leases are payable in the years ending June 30 as follows:

Year Ending June 30,	Amount
2019	$ 59,102
2020	39,364
2021	25,206
2022	9,467
2023	5,930
Total Minimum Lease Payments	$ 139,069