

**Altrusa International Foundation, Inc.**

**Financial Statements**

**Years Ended May 31, 2018 and 2017**

## TABLE OF CONTENTS

	<b>Page</b>
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 21



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Altrusa International Foundation, Inc.  
Chicago, Illinois

We have audited the accompanying financial statements of Altrusa International Foundation, Inc., a nonprofit organization, which comprise the statement of financial position as of May 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended May 31, 2018, 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 of 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 auditors consider 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.

## INDEPENDENT AUDITORS' REPORT - Continued

### Opinion

In our opinion, the financial statements referred on the previous page present fairly, in all material respects, the financial position of Altrusa International Foundation, Inc. as of May 31, 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.

*Mann Weitz & Associates LLC*

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois  
October 24, 2018

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION  
MAY 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash - Note 2	\$ 219,205	\$ 89,033
Accounts receivable	350	40
Contributions receivable	<u>10,467</u>	<u>10,018</u>
Total Current Assets	<u>230,022</u>	<u>99,091</u>
<b>Other Assets</b>		
Investments - Notes 3 and 4	3,488,678	3,258,821
Beneficial interest in assets held in trust by others - Notes 3 and 8	<u>419,482</u>	<u>408,787</u>
Total Other Assets	<u>3,908,160</u>	<u>3,667,608</u>
Total Assets	<u><u>\$ 4,138,182</u></u>	<u><u>\$ 3,766,699</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 12,088</u>	<u>\$ 18,538</u>
<b>Net Assets</b>		
Unrestricted		
Board designated - Note 7	2,655,989	2,359,683
Undesignated	<u>(9,292)</u>	<u>1,669</u>
Total Unrestricted	2,646,697	2,361,352
Temporarily restricted - Notes 5 and 7	164,785	100,567
Permanently restricted - Notes 3, 7, and 8	<u>1,314,612</u>	<u>1,286,242</u>
Total Net Assets	<u>4,126,094</u>	<u>3,748,161</u>
Total Liabilities and Net Assets	<u><u>\$ 4,138,182</u></u>	<u><u>\$ 3,766,699</u></u>

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.

STATEMENT OF ACTIVITIES  
YEARS ENDED MAY 31, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support</b>								
Contributions	\$ 204,450	\$ 101,320	\$ 17,675	\$ 323,445	\$ 59,281	\$ 45,297	\$ 30,809	\$ 135,387
Beneficial interest in assets held in trust by others:								
Trust distributions	19,500			19,500	31,183			31,183
Change in value of beneficial interest in assets held in trust by others - Note 3			10,695	10,695			14,026	14,026
Net realized and unrealized gains on investments	249,241	79,023		328,264	178,529	58,784		237,313
Dividends and interest, net of investment fees of \$21,890 and \$19,864 in 2018 and 2017, respectively	33,885	10,735		44,620	35,452	11,667		47,119
Other income	1,380			1,380	1,340			1,340
<b>Total Revenues and Gains</b>	<b>508,456</b>	<b>191,078</b>	<b>28,370</b>	<b>727,904</b>	<b>305,785</b>	<b>115,748</b>	<b>44,835</b>	<b>466,368</b>
Net assets released from restrictions - Note 5	126,860	(126,860)			88,671	(88,671)		
<b>Total Revenues, Gains and Other Support</b>	<b>635,316</b>	<b>64,218</b>	<b>28,370</b>	<b>727,904</b>	<b>394,456</b>	<b>27,077</b>	<b>44,835</b>	<b>466,368</b>
<b>Expenses</b>								
Program Services								
Grants and awards	132,550			132,550	155,797			155,797
Disaster relief	37,164			37,164	33,482			33,482
Club 21	33,542			33,542	58,007			58,007
<b>Total Program Services</b>	<b>203,256</b>			<b>203,256</b>	<b>247,286</b>			<b>247,286</b>
Supporting Services								
Management and general	120,433			120,433	17,041			17,041
Fundraising	26,282			26,282	6,613			6,613
<b>Total Supporting Services</b>	<b>146,715</b>			<b>146,715</b>	<b>23,654</b>			<b>23,654</b>
<b>Total Expenses</b>	<b>349,971</b>			<b>349,971</b>	<b>270,940</b>			<b>270,940</b>
<b>Change in Net Assets</b>	<b>285,345</b>	<b>64,218</b>	<b>28,370</b>	<b>377,933</b>	<b>123,516</b>	<b>27,077</b>	<b>44,835</b>	<b>195,428</b>
<b>Net Assets</b>								
Beginning of year	2,361,352	100,567	1,286,242	3,748,161	2,237,836	73,490	1,241,407	3,552,733
End of year	\$ 2,646,697	\$ 164,785	\$ 1,314,612	\$ 4,126,094	\$ 2,361,352	\$ 100,567	\$ 1,286,242	\$ 3,748,161

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2018

	Grants and Awards	Disaster Relief	Club 21	Total Program Services	Management and General	Fundraising	Total
Association contract/support - Note 6	\$ 4,938	\$ 2,963	\$ 2,568	\$ 10,469	\$ 50,306	\$ 1,975	\$ 62,750
Conventions, conferences, meetings					30,985		30,985
Employee benefits	2,050	1,230	1,066	4,346	3,034	820	8,200
Grants and awards	110,354	23,847	22,000	156,201			156,201
Lamplighter program						17,404	17,404
Insurance					963		963
Office expense	2,168	1,300	1,127	4,595	4,034	867	9,496
Payroll taxes	1,040	624	541	2,205	1,540	416	4,161
Professional fees					11,811		11,811
Salaries and benefits	12,000	7,200	6,240	25,440	17,760	4,800	48,000
<b>Total Expenses</b>	<b>\$ 132,550</b>	<b>\$ 37,164</b>	<b>\$ 33,542</b>	<b>\$ 203,256</b>	<b>\$ 120,433</b>	<b>\$ 26,282</b>	<b>\$ 349,971</b>

The accompanying notes are an integral part of this statement.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS  
YEARS ENDED MAY 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 377,933	\$ 195,428
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Net gain on investments	(328,264)	(237,313)
Change in present value of beneficial interest in assets held in trust by others	(10,695)	(14,026)
Net (increase) decrease in assets		
Accounts receivable	(310)	(40)
Contributions receivable	(449)	(569)
Prepaid expenses		785
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>(6,450)</u>	<u>10,032</u>
 Net Cash Provided by (Used for) Operating Activities	 <u>31,765</u>	 <u>(45,703)</u>
 <b>Cash Flows from Investing Activities</b>		
Purchases of investments	(488,165)	(733,396)
Proceeds from sales of investments	<u>586,572</u>	<u>758,294</u>
 Net Cash Provided by Investing Activities	 <u>98,407</u>	 <u>24,898</u>
 <b>Net Increase (Decrease) in Cash</b>	 130,172	 (20,805)
 <b>Cash</b>		
Beginning of year	<u>89,033</u>	<u>109,838</u>
 End of year	 <u>\$ 219,205</u>	 <u>\$ 89,033</u>

The accompanying notes are an integral part of this statement.



## ALTRUSA INTERNATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Nature of Activities and Organization**

Altrusa International Foundation, Inc. (Foundation) is a not-for-profit, philanthropic corporation established in 1962 by Altrusa International, Inc., a worldwide volunteer service organization, devoted to contributing to human well-being through the development and implementation of effective local community service programs. The Foundation is dedicated to improving economic well-being and quality of life through a commitment to community services and literacy. The Foundation, headquartered in Chicago, generates its revenue primarily through contributions and investment income.

##### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

##### **Basis of Presentation**

Information regarding the financial position and activities of the Foundation are reported in three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted, undesignated net assets – Unrestricted, undesignated net assets are not subject to donor-imposed or board designated stipulations and include all of the activities of the Foundation, except for amounts temporarily or permanently restricted by external donors or designated by the board.
- Unrestricted, board designated net assets – Unrestricted, board designated net assets represent unrestricted amounts specifically designated by the board for a certain purpose.
- Temporarily restricted net assets - Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Foundation (purpose restrictions).
- Permanently restricted net assets - Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income be expended.

## **ALTRUSA INTERNATIONAL FOUNDATION, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Investments and Earnings**

Investments, excluding certificates of deposit, are carried at fair value. The fair value of investments is generally determined based on quoted market price. Interest and dividends, as well as realized and unrealized gains and losses on investments, are included in the statement of activities. Interest and dividends are reported as increases in unrestricted net assets unless their use is restricted by a donor. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by relevant state law.

##### **Contributions**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Promises to give which are receivable over more than one year are recorded at present value. Contributions of cash and other assets are recorded as 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 fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

##### **Uncollectible Accounts**

The Organization considers its receivables to be fully collectible. Accordingly, no allowance for uncollectible accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made. This direct write-off method does not materially differ from the allowance method required by accounting principles generally accepted in the United States of America.

##### **Beneficial Interest in Assets Held in Trust by Others**

The beneficial interest in assets held in trust by others is recorded at the fair value of the Foundation's proportionate interest of the underlying investments in the trust. These investments, which are not in the possession or under the control of the Foundation, are administered by outside fiscal agents, with the Foundation deriving distributions from the trust as stipulated by the gift instrument.

## **ALTRUSA INTERNATIONAL FOUNDATION, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis on the statement of activities. Expenses which are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Management and general costs are allocated to the various programs or supporting service based on staff hours worked on the functional areas and the terms of the biennial agreement with Altrusa International, Inc. See Note 6.

##### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reported period. Actual results could differ from those estimates.

##### **Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code for all business income related to its exempt purpose. The Foundation is subject to income taxes on its unrelated business income after related expenses. There was no unrelated business income for the years ended May 31, 2018 and 2017.

##### **Evaluation of Tax Positions**

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of May 31, 2018 and 2017, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

## ALTRUSA INTERNATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **Effect of Recently Issued Accounting Standards**

In August 2016 the Financial Accounting Standards Board (FASB) issued new rules for nonprofit organizations under Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (NFP). This ASU changes the financial reporting format for NFP financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets. Some of the changes in ASU 2016-14 include:

- The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restrictions and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- NFPs will be required to present an analysis of expenses by both function and natural classification on a separate statement, on the face of the statement of activities, or in the footnotes. Additional disclosures will also be required regarding specific methodologies used to allocate costs among program and support functions.
- The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.
- NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

## **ALTRUSA INTERNATIONAL FOUNDATION, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Effect of Recently Issued Accounting Standards - Continued**

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures.

##### **Subsequent Events**

The Foundation has evaluated subsequent events for potential recognition and/or disclosures through October 24, 2018, the date the financial statements were available to be issued. No material subsequent events have occurred that require adjustments or disclosures.

#### **2. CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash in one financial institution. At times during the year, balances at this institution exceeded the FDIC insured limits.

#### **3. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS**

FASB Accounting Standards Codification (ASC) 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's estimates about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**3. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS -  
Continued**

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The estimated fair values of financial assets measured on a recurring basis are as follows at May 31:

<u>Description</u>	<u>Fair Value at May 31, 2018</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$ 164,176	\$ 164,176	\$ -	\$ -
Marketable securities	2,318,726	2,318,726		
Beneficial interest in assets held in trust by others	419,482			419,482
Total Assets at Fair Value	<u>\$ 2,902,384</u>	<u>\$ 2,482,902</u>	<u>\$ -</u>	<u>\$ 419,482</u>

<u>Description</u>	<u>Fair Value at May 31, 2017</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$ 257,258	\$ 257,258	\$ -	\$ -
Marketable securities	2,057,524	2,057,524		
Beneficial interest in assets held in trust by others	408,787			408,787
Total Assets at Fair Value	<u>\$ 2,723,569</u>	<u>\$ 2,314,782</u>	<u>\$ -</u>	<u>\$ 408,787</u>

## ALTRUSA INTERNATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 3. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash:* Cash held in the Foundation's investment accounts are considered investments and are valued at cost, which approximates fair value.

*Marketable Securities:* Shares are traded in active markets and on national and international securities exchanges and are valued at closing prices on the last business day of the fiscal year.

*Beneficial Interest in Assets Held in Trust by Others:* The Foundation's interest is recorded at the present value of the expected future cash flows from the trust, which is best estimated as the fair value of the underlying investments in the trust. These investments, which are not in the possession or under the control of the Foundation, are administered by an outside fiscal agent, with the Foundation deriving distributions from the trust as stipulated by the gift instrument.

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3) during the years ended May 31, 2018 and 2017:

Balance as of May 31, 2016	\$ 394,761
Change in value of beneficial interest in assets held in trust by others	<u>14,026</u>
Balance as of May 31, 2017	408,787
Change in value of beneficial interest in assets held in trust by others	<u>10,695</u>
Balance as of May 31, 2018	<u><u>\$ 419,482</u></u>

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**4. INVESTMENTS**

Investments consist of the following at May 31:

	<u>2018</u>	<u>2017</u>
Cash	\$ 164,176	\$ 257,258
Certificates of deposit	1,005,776	944,039
Marketable securities	<u>2,318,726</u>	<u>2,057,524</u>
Total	<u>\$ 3,488,678</u>	<u>\$ 3,258,821</u>

**5. TEMPORARILY RESTRICTED NET ASSETS AND RELEASES FROM RESTRICTIONS**

Temporarily restricted net assets consist of the Disaster Relief Fund, the Club 21 Fund, and accumulated earnings from the permanently restricted net assets of the donor restricted endowment fund (Note 7). The Disaster Relief Fund provides funding for international disasters, and the Club 21 Fund supports summer camps for children who are HIV positive or who have other diseases and disabilities.

Temporarily restricted net assets consist of the following at May 31:

	<u>2018</u>	<u>2017</u>
Disaster Relief	\$ 15,532	\$ -
Club 21	920	
Grants and awards		
Donor restricted endowment	<u>148,333</u>	<u>100,567</u>
Total	<u>\$ 164,785</u>	<u>\$ 100,567</u>



## ALTRUSA INTERNATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 5. TEMPORARILY RESTRICTED NET ASSETS AND RELEASES FROM RESTRICTIONS - Continued

Temporarily restricted net assets were released from donor restrictions as follows during the years ended May 31:

	<u>2018</u>	<u>2017</u>
Disaster Relief	\$ 37,164	\$ 10,177
Club 21	33,542	25,961
Passage of time		3,013
Grants and awards		
Donor restricted endowment	41,992	40,361
General	<u>14,162</u>	<u>9,159</u>
Total	<u>\$ 126,860</u>	<u>\$ 88,671</u>

#### 6. RELATED PARTY TRANSACTIONS

The Foundation cooperates closely with Altrusa International, Inc. (Association). The Association provides some personnel and the working space required for the Foundation to perform its mission. Amounts expended for these services under a biennial agreement with the Association were \$62,750 and \$66,267 for the years ended May 31, 2018 and 2017, respectively. The Foundation board of trustees has approved this agreement for \$62,750 for the year ending May 31, 2019. Since neither organization controls the other, consolidated financial statements are not prepared.

#### 7. ENDOWMENT

The Foundation's endowment consists of funds established to support the Foundation's grant programs and the community leadership award. Permanently restricted net assets consist of endowment fund investments that are to be held in perpetuity per donor-imposed restrictions. These amounts are included as investments on the statement of financial position. Earnings on permanently restricted net assets are temporarily restricted and are available to support grant programs and the community leadership award. The board of trustees has also set up a board designated endowment fund with no donor-imposed restrictions to support the Foundation's grants and awards programs. 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.

## ALTRUSA INTERNATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 7. ENDOWMENT - Continued

##### **Interpretation of Relevant Law**

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as 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 (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the endowment considers the following factors in making a determination to appropriate or accumulate 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 appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation's interpretation of the laws governing restrictions on net appreciation of donor-restricted endowments is based on the UPMIFA. Consequently, net appreciation is temporarily restricted if investment income is temporarily restricted; permanently restricted if investment income is permanently restricted, and unrestricted if investment income is unrestricted.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**7. ENDOWMENT - Continued**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Donor funds received for endowment are invested in a pool of investments managed by an investment advisor at an independent brokerage firm. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Foundation has adopted investment policies for endowment assets which strive for long-term growth while at the same time generate a reasonable current return for programs supported by its endowment. 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 which includes cash, certificates of deposit, and marketable securities.

Endowment investment returns are allocated to the donor restricted endowment and board designated endowment funds based on each fund's pro rata share of the total endowment. Appropriation for grant and award expenditures is done in accordance with donor directives for the donor restricted fund and as appropriated by the board of trustees for the board designated fund.

It is board policy that the Foundation spends an amount not to exceed five percent of the five year moving average of the endowment market value as calculated on December 31 during each fiscal year. The Foundation was in compliance with this policy for the years ended May 31, 2018 and 2017.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**7. ENDOWMENT - Continued**

Endowment net assets by fund type consist of the following at May 31:

	<u>2018</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 148,333	\$ 895,130	\$1,043,463
Board designated	2,655,989			2,655,989
Total Funds	<u>\$2,655,989</u>	<u>\$ 148,333</u>	<u>\$ 895,130</u>	<u>\$3,699,452</u>
	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 100,567	\$ 877,455	\$ 978,022
Board designated	2,359,683			2,359,683
Total Funds	<u>\$2,359,683</u>	<u>\$ 100,567</u>	<u>\$ 877,455</u>	<u>\$3,337,705</u>

ALTRUSA INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENT - Continued

Changes in endowment net assets for the years ended May 31, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance - June 1, 2016	\$2,200,374	\$ 70,477	\$ 846,646	\$3,117,497
Gaedke Trust distributions	15,592			15,592
Contributions	31,392		30,809	62,201
Investment gains	178,529	58,784		237,313
Dividends and interest	35,435	11,667		47,102
Amounts appropriated for expenditure	<u>(101,639)</u>	<u>(40,361)</u>		<u>(142,000)</u>
Ending Balance - May 31, 2017	2,359,683	100,567	877,455	3,337,705
Gaedke Trust distributions	9,750			9,750
Contributions	104,464		17,675	122,139
Investment gains	249,241	79,023		328,264
Dividends and interest	33,859	10,735		44,594
Amounts appropriated for expenditure	<u>(101,008)</u>	<u>(41,992)</u>		<u>(143,000)</u>
Ending Balance - May 31, 2018	<u>\$2,655,989</u>	<u>\$ 148,333</u>	<u>\$ 895,130</u>	<u>\$3,699,452</u>

**ALTRUSA INTERNATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**8. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following at May 31:

	<u>2018</u>	<u>2017</u>
Beneficial interest in assets held in trust by others	\$ 419,482	\$ 408,787
Donor restricted endowment fund	<u>895,130</u>	<u>877,455</u>
Total	<u>\$1,314,612</u>	<u>\$1,286,242</u>

**9. VOLUNTEER SERVICES**

A significant amount of volunteer services is contributed to the Foundation by various industry leaders and volunteers to support the Foundation's program and supporting services. These volunteer activities include participating on the board of trustees and numerous other committees. The value of these services has not been included in the financial statements.

**10. RETIREMENT PLAN**

The Foundation has established a 401(k) plan for its eligible employee by providing benefits through matching contributions as defined in the plan. Matching contributions for the years ended May 31, 2018 and 2017 were \$1,440 and \$1,350, respectively.

111 Deer Lake Road, Suite 125, Deerfield, IL 60015  
Main:847.267.3400 Fax:847.267.3401 Web:[mannweitz.com](http://mannweitz.com)