

Altrusa International Foundation, Inc.

Financial Statements

Years Ended May 31, 2019 and 2018

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INDEPENDENT AUDITOR'S 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, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Altrusa International Foundation, Inc. as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT - Continued

Emphasis of Matter

Altrusa International Foundation, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as discussed in Note 1. Our opinion is not modified with respect to this matter.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
October 11, 2019

ALTRUSA INTERNATIONAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash - Note 2	\$ 375,605	\$ 219,205
Accounts receivable	340	350
Contributions receivable	9,849	10,467
Prepaid expenses	<u>7,097</u>	
Total Current Assets	<u>392,891</u>	<u>230,022</u>
Other Assets		
Investments - Notes 4 and 5	3,455,497	3,488,678
Beneficial interest in assets held in trust by others - Notes 4 and 7	<u>392,102</u>	<u>419,482</u>
Total Other Assets	<u>3,847,599</u>	<u>3,908,160</u>
Total Assets	<u><u>\$ 4,240,490</u></u>	<u><u>\$ 4,138,182</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 142,936</u>	<u>\$ 12,088</u>
Net Assets		
Without donor restrictions - Notes 6, 9, and 12	2,589,162	2,646,697
With donor restrictions - Notes 7 and 9	<u>1,508,392</u>	<u>1,479,397</u>
Total Net Assets	<u>4,097,554</u>	<u>4,126,094</u>
Total Liabilities and Net Assets	<u><u>\$ 4,240,490</u></u>	<u><u>\$ 4,138,182</u></u>

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED MAY 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions	\$ 192,739	\$ 130,229	\$ 322,968	\$ 187,555	\$ 135,890	\$ 323,445
Beneficial interest in assets held in trust by others						
Trust distributions	19,500		19,500	19,500		19,500
Change in value of beneficial interest in assets held in trust by others - Note 4		(27,380)	(27,380)		10,695	10,695
Net realized and unrealized gains on investments	70,766	23,410	94,176	249,241	79,023	328,264
Dividends and interest, net of investment fees of \$24,470 and \$21,890 in 2019 and 2018, respectively	32,159	10,619	42,778	33,885	10,735	44,620
Other income				1,380		1,380
Total Revenues and Gains	315,164	136,878	452,042	491,561	236,343	727,904
Net assets released from restrictions - Note 7	107,883	(107,883)		143,755	(143,755)	
Total Revenues, Gains and Other Support	423,047	28,995	452,042	635,316	92,588	727,904
Expenses						
Program Services						
Grants and awards	267,787		267,787	132,550		132,550
Disaster relief	22,299		22,299	37,164		37,164
Club 21	38,333		38,333	33,542		33,542
Total Program Services	328,419		328,419	203,256		203,256
Supporting Services						
Management and general	118,700		118,700	120,433		120,433
Fundraising	33,463		33,463	26,282		26,282
Total Supporting Services	152,163		152,163	146,715		146,715
Total Expenses	480,582		480,582	349,971		349,971
Change in Net Assets	(57,535)	28,995	(28,540)	285,345	92,588	377,933
Net Assets						
Beginning of year	2,646,697	1,479,397	4,126,094	2,361,352	1,386,809	3,748,161
End of year	\$ 2,589,162	\$ 1,508,392	\$ 4,097,554	\$ 2,646,697	\$ 1,479,397	\$ 4,126,094

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED MAY 31, 2019

	Program Services			Total Program Services	Supporting Services		Total	
	Grants and Awards	Disaster Relief	Club 21		Management and General	Fundraising		Total Supporting Services
Association agreement - Note 8	\$ 2,143	\$ 824	\$ 1,319	\$ 4,286	\$ 53,384	\$ 1,813	\$ 55,197	\$ 59,483
Conventions, conferences, meetings					3,903		3,903	3,903
Employee benefits	1,056	406	650	2,112	5,117	894	6,011	8,123
Grants and awards	256,611	18,000	31,454	306,065				306,065
Fundraising challenge						15,085	15,085	15,085
Lamplighter program						8,920	8,920	8,920
Insurance					1,073		1,073	1,073
Office expense	637	245	392	1,274	6,146	539	6,685	7,959
Payroll taxes	602	232	371	1,205	2,919	510	3,429	4,634
Professional fees					13,503		13,503	13,503
Salaries	6,738	2,592	4,147	13,477	32,655	5,702	38,357	51,834
Total Expenses	\$ 267,787	\$ 22,299	\$ 38,333	\$ 328,419	\$ 118,700	\$ 33,463	\$ 152,163	\$ 480,582

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED MAY 31, 2018

	Program Services			Total Program Services	Supporting Services		Total	
	Grants and Awards	Disaster Relief	Club 21		Management and General	Fundraising		Total Supporting Services
Association agreement - Note 8	\$ 4,938	\$ 2,963	\$ 2,568	\$ 10,469	\$ 50,306	\$ 1,975	\$ 52,281	\$ 62,750
Conventions, conferences, meetings					30,985		30,985	30,985
Employee benefits	2,050	1,230	1,066	4,346	3,034	820	3,854	8,200
Grants and awards	110,354	23,847	22,000	156,201				156,201
Lamplighter program						17,404	17,404	17,404
Insurance					963		963	963
Office expense	2,168	1,300	1,127	4,595	4,034	867	4,901	9,496
Payroll taxes	1,040	624	541	2,205	1,540	416	1,956	4,161
Professional fees					11,811		11,811	11,811
Salaries	12,000	7,200	6,240	25,440	17,760	4,800	22,560	48,000
Total Expenses	\$ 132,550	\$ 37,164	\$ 33,542	\$ 203,256	\$ 120,433	\$ 26,282	\$ 146,715	\$ 349,971

The accompanying notes are an integral part of this statement.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED MAY 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (28,540)	\$ 377,933
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain on investments	(94,176)	(328,264)
Change in present value of beneficial interest in assets held in trust by others	27,380	(10,695)
Net (increase) decrease in assets		
Accounts receivable	10	(310)
Contributions receivable	618	(449)
Prepaid expenses	(7,097)	
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>130,848</u>	<u>(6,450)</u>
Net Cash Provided by Operating Activities	<u>29,043</u>	<u>31,765</u>
Cash Flows from Investing Activities		
Purchases of investments	(696,992)	(488,165)
Proceeds from sales of investments	<u>824,349</u>	<u>586,572</u>
Net Cash Provided by Investing Activities	<u>127,357</u>	<u>98,407</u>
Net Increase in Cash	156,400	130,172
Cash		
Beginning of year	<u>219,205</u>	<u>89,033</u>
End of year	<u><u>\$ 375,605</u></u>	<u><u>\$ 219,205</u></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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets without donor restrictions are not subject to donor-imposed stipulations but may be subject to board designations. They include all activities of the Foundation, except for those amounts that are restricted by external donors.
- With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Foundation (purpose restrictions). Net assets with donor restrictions may also be 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.

Investments and Earnings

Investments, excluding certificates of deposit and mutual funds valued at NAV, 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 net assets without restrictions unless their use is restricted by a donor. Gains and losses on investments are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by relevant state law.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions on donor restricted contributions that are permanent in nature never expire; the assets must be invested in perpetuity.

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.

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 services based on time and effort and the terms of the biennial agreement with Altrusa International, Inc. See Note 8.

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.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

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

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, 2019 and 2018.

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, 2019 and 2018, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Effect of Recently Issued Accounting Standards

On August 18, 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 update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspect of the Foundation's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3). The Foundation opted to not disclose liquidity and availability information for the year ended May 31, 2018, as permitted under the ASU in the year of adoption.
- The Foundation is required to present an analysis of expenses by both function and natural classification, which is presented on the statement of functional expenses in the accompanying financial statements for the years ended May 31, 2019 and 2018. Additional disclosures are required regarding specific methodologies used to allocate costs among program and support functions.

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

In June 2018 FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments:

- Clarify how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution.
- Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (a) a barrier that must be overcome and (b) a right of return or release of obligation.
- Modify the simultaneous release option currently in accounting principles generally accepted in the United States of America, which allows an NFP to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in this update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the Foundation's financial statements and related disclosures.

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosures through October 11, 2019, 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 years ended May 31, 2019 and 2018, balances at this institution exceeded the FDIC insured limits. The Foundation has never experienced any losses in this bank account. Management believes that the Foundation is not subject to significant concentrations of credit risk with respect to cash deposits.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY

The Foundation's goal is to maintain financial assets equal to six months of average recurring operating costs over the prior two financial years.

The following table reflects the Foundation's financial assets as of May 31, 2019, reduced by amounts that are not available for general use within one year. Financial assets are considered unavailable when non-liquid or not convertible to cash within one year or because the donor has restricted the use of funds.

	<u>2019</u>
Cash	\$ 375,605
Accounts receivable	340
Contributions receivable	9,849
Investments	<u>3,455,497</u>
Total Financial Assets	3,841,291
Less: Amounts not available for general expenditures within one year	
Net assets with donor restrictions	<u>1,508,392</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 2,332,899</u></u>

4. FAIR VALUE MEASUREMENTS

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

4. FAIR VALUE MEASUREMENTS - 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:

Description	Total	2019		
		Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash	\$ 39,657	\$ 39,657	\$ -	\$ -
Marketable securities	2,413,468	2,413,468		
Beneficial interest in assets held in trust by others	392,102			392,102
Total Financial Assets at Fair Value	<u>\$2,845,227</u>	<u>\$2,453,125</u>	<u>\$ -</u>	<u>\$ 392,102</u>
Description	Total	2018		
		Fair Value Measurements Using		
		Level 1	Level 2	Level 3
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 Financial Assets at Fair Value	<u>\$2,902,384</u>	<u>\$2,482,902</u>	<u>\$ -</u>	<u>\$ 419,482</u>

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS - 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, 2019 and 2018:

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	419,482
Change in value of beneficial interest in assets held in trust by others	<u>(27,380)</u>
Balance as of May 31, 2019	<u><u>\$ 392,102</u></u>

5. INVESTMENTS

Investments consist of the following at May 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 39,657	\$ 164,176
Certificates of deposit	702,372	1,005,776
Open end mutual funds (valued at NAV)	300,000	
Marketable securities	<u>2,413,468</u>	<u>2,318,726</u>
Total	<u><u>\$ 3,455,497</u></u>	<u><u>\$ 3,488,678</u></u>

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at May 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ (73,794)	\$ 7,603
Board designated endowment (Note 9)	<u>2,662,956</u>	<u>2,639,094</u>
Total	<u><u>\$ 2,589,162</u></u>	<u><u>\$ 2,646,697</u></u>

See Note 12 regarding a prior period reclassification of net assets without donor restrictions at May 31, 2018.

Board designated net assets consist of the board designated endowment fund. At the discretion of the board of trustees, this fund is increased by one half of the distributions received from the beneficial interest in assets held in trust by others, from bequests received by the Foundation, and from the proportionate share of investment gains or losses, interest, and dividends on investments held by the Foundation's overall endowment. This fund is decreased at the discretion of the board of trustees to support the Foundation's grants and awards program and to help cover general operating expenses. See Note 9.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose restrictions consist of the Disaster Relief Fund, Club 21 Fund, and accumulated earnings from the net assets of the donor restricted endowment restricted in perpetuity (Note 9). Disaster Relief provides funding for international disasters, and Club 21 supports summer camps for children who are HIV positive or who have other diseases and disabilities. Net assets restricted in perpetuity include the beneficial interest in assets held in trust by others (Note 4) and the principal of the donor restricted endowment.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

7. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets with donor restrictions consist of the following at May 31:

	<u>2019</u>	<u>2018</u>
Purpose restricted		
Disaster Relief	\$ 73,638	\$ 15,532
Club 21		920
Grants and awards		
Donor restricted endowment (Note 9)	139,415	148,333
Restricted in perpetuity		
Beneficial interest in assets held in trust by others	392,102	419,482
Donor restricted endowment	<u>903,237</u>	<u>895,130</u>
Total	<u>\$ 1,508,392</u>	<u>\$ 1,479,397</u>

Net assets were released from donor restrictions as follows during the years ended May 31:

	<u>2019</u>	<u>2018</u>
Disaster Relief	\$ 22,299	\$ 37,164
Club 21	32,372	33,542
Grants and awards		
Donor restricted endowment	42,946	41,992
General	<u>10,266</u>	<u>31,057</u>
Total	<u>\$ 107,883</u>	<u>\$ 143,755</u>

8. 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 are \$59,483 and \$62,750 for the years ended May 31, 2019 and 2018, respectively. The Foundation board of trustees has approved this agreement for \$60,600 for the year ending May 31, 2020. Since neither organization controls the other, consolidated financial statements are not prepared.

**ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

9. ENDOWMENT

The Foundation's donor restricted endowment consists of funds established to support the Foundation's grant programs and the community leadership award. Net assets with donor restrictions include endowment fund investments that are to be held in perpetuity as per donor-imposed stipulations. Earnings on donor restricted net assets held in perpetuity are classified as purpose restricted. These amounts are included in investments on the statement of financial position. The board of trustees has also set up a board designated endowment fund without donor-imposed restrictions to support the Foundation's grants and awards program and to help cover general operating expenses. 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.

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 net assets with donor restrictions in perpetuity as (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 net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for time or purpose 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

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

9. 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, mutual funds, 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.

For the donor restricted endowment, it is board policy that the Foundation spends an amount not to exceed five percent of the five year moving average amount of the principal as calculated on December 31 during each fiscal year. The Foundation was in compliance with this policy for the years ended May 31, 2019 and 2018.

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

	2019			
	Without Donor Restrictions	Purpose Restricted	Restricted in Perpetuity	Total
With donor restrictions	\$ -	\$ 139,415	\$ 903,237	\$ 1,042,652
Board designated	2,662,956			2,662,956
Total Funds	\$ 2,662,956	\$ 139,415	\$ 903,237	\$ 3,705,608

	2018			
	Without Donor Restrictions	Purpose Restricted	Restricted in Perpetuity	Total
With donor restrictions	\$ -	\$ 148,333	\$ 895,130	\$ 1,043,463
Board designated	2,639,094			2,639,094
Total Funds	\$ 2,639,094	\$ 148,333	\$ 895,130	\$ 3,682,557

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENT - Continued

Changes in endowment net assets for the years ended May 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Balance at June 1, 2017	\$ 2,359,683	\$ 100,567	\$ 877,455	\$ 3,337,705
Gaedke Trust distributions	9,750			9,750
Contributions	87,569		17,675	105,244
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>
Balance at May 31, 2018	2,639,094	148,333	895,130	3,682,557
Gaedke Trust distributions	9,750			9,750
Contributions	153,297		8,107	161,404
Investment gains	70,766	23,409		94,175
Dividends and interest	32,103	10,619		42,722
Amounts appropriated for expenditure	<u>(242,054)</u>	<u>(42,946)</u>		<u>(285,000)</u>
Balance at May 31, 2019	<u>\$ 2,662,956</u>	<u>\$ 139,415</u>	<u>\$ 903,237</u>	<u>\$ 3,705,608</u>

10. 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 because the criteria for recognition have not been satisfied.

ALTRUSA INTERNATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

11. 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, 2019 and 2018 were \$1,165 and \$1,440, respectively.

12. PRIOR PERIOD NET ASSET RECLASSIFICATION

During the year ended May 31, 2019, management determined the proper classification of certain net asset accounts according to board of trustees' wishes related to the year ended May 31, 2018. The effect of the reclassifications on the various net asset accounts for the year ended May 31, 2018, is as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
Without donor restrictions			
Undesignated	\$ (9,292)	\$ 7,603	\$ 16,895
Board designated	\$ 2,655,989	\$ 2,639,094	\$ (16,895)

13. CONCENTRATIONS

The Foundation received 47% and 18% of total contributions from one donor during the years ended May 31, 2019 and 2018, respectively.

14. RECLASSIFICATIONS

Certain other reclassifications were made to the May 31, 2018 financial statements in order to conform to the May 31, 2019 presentation.

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