

STABLISH FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

STABLISH FOUNDATION

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# BOYER & COMPANY

A Professional Association

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Stablish Foundation  
Bloomington, Minnesota

We have audited the accompanying financial statements of the Stablish Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Stablish Foundation as of December 31, 2016 and 2015 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.

*Boyer + Company*

Burnsville, MN  
November 6, 2017

STABLISH FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 106,394	\$ 100,839
Investments	13,437,206	14,113,949
Accounts Receivable	20,251	15,858
Prepaid Expense	<u>194,758</u>	<u>218,385</u>
Total Current Assets	<u>\$ 13,758,609</u>	<u>\$ 14,449,031</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$ -	\$ 1,687
Funds Held for Others	<u>1,187,428</u>	<u>1,489,329</u>
Total Liabilities	<u>1,187,428</u>	<u>1,491,016</u>
Net Assets		
Unrestricted - Donor Advised Funds	12,034,079	12,282,994
Temporarily Restricted	<u>537,102</u>	<u>675,021</u>
Total Net Assets	<u>12,571,181</u>	<u>12,958,015</u>
Total Liabilities and Net Assets	<u>\$ 13,758,609</u>	<u>\$ 14,449,031</u>

See notes to financial statements.

STABLISH FOUNDATION

STATEMENT OF ACTIVITIES & FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Contributions	\$ 98,014	\$ -	\$ 98,014
<b>Revenue</b>			
Management Fee Income	104,019	-	104,019
Interest and Dividend Income	256,637	-	256,637
Realized Gains on Sales of Investments	133,190	-	133,190
Unrealized Gain (Loss) on Investments	402,318	-	402,318
Change in Split Interest Agreement	-	(137,919)	(137,919)
Investment Management Expenses	<u>(219,983)</u>	-	<u>(219,983)</u>
Net Revenue	<u>676,181</u>	<u>(137,919)</u>	<u>538,262</u>
 Net Contributions and Revenue	 774,195	 (137,919)	 636,276
<b>Expenses</b>			
Program Expense Payments to Charities	<u>924,007</u>	-	<u>924,007</u>
<b>Management and General Expenses</b>			
Insurance Expense	1,636	-	1,636
Office Expense	21,686	-	21,686
Professional Fees	17,415	-	17,415
Payroll	<u>58,366</u>	-	<u>58,366</u>
Total Management and General Expenses	<u>99,103</u>	-	<u>99,103</u>
 Total Expenses	 <u>1,023,110</u>	 -	 <u>1,023,110</u>
Changes in Net Assets	(248,915)	(137,919)	(386,834)
Net Assets - Beginning of Year	<u>12,282,994</u>	<u>675,021</u>	<u>12,958,015</u>
Net Assets - End of Year	<u>\$ 12,034,079</u>	<u>\$ 537,102</u>	<u>\$ 12,571,181</u>

See notes to financial statements.

STABLISH FOUNDATION

STATEMENT OF ACTIVITIES & FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 84,259	\$ -	\$ 84,259
Revenue			
Management Fee Income	103,457	-	103,457
Interest and Dividend Income	239,693	-	239,693
Realized Gains on Sales of Investments	247,344	-	247,344
Unrealized Gain (Loss) on Investments	(74,379)	-	(74,379)
Change in Split Interest Agreement	-	(121,695)	(121,695)
Investment Management Expenses	<u>(232,802)</u>	<u>-</u>	<u>(232,802)</u>
Net Revenue	<u>283,313</u>	<u>(121,695)</u>	<u>161,618</u>
Net Contributions and Revenue	367,572	(121,695)	245,877
Expenses			
Program Expense Payments to Charities	<u>619,241</u>	<u>-</u>	<u>619,241</u>
Management and General Expenses			
Insurance Expense	3,479	-	3,479
Office Expense	31,805	-	31,805
Professional Fees	15,795	-	15,795
Payroll	<u>53,799</u>	<u>-</u>	<u>53,799</u>
Total Management and General Expenses	<u>104,878</u>	<u>-</u>	<u>104,878</u>
Total Expenses	<u>724,119</u>	<u>-</u>	<u>724,119</u>
Changes in Net Assets	(356,547)	(121,695)	(478,242)
Net Assets - Beginning of Year	<u>12,639,541</u>	<u>796,716</u>	<u>13,436,257</u>
Net Assets - End of Year	<u>\$ 12,282,994</u>	<u>\$ 675,021</u>	<u>\$ 12,958,015</u>

See notes to financial statements.

STABLISH FOUNDATION

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (386,834)	\$ (478,242)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments	(402,318)	74,379
Change in Split Interest Agreements	137,919	121,695
(Increase) Decrease in Assets:		
Accounts Receivable	(4,393)	1,992
Prepaid Expense	23,627	13,888
Increase (Decrease) in Liabilities:		
Accounts Payable	<u>(1,687)</u>	<u>1,687</u>
Net Cash Used by Operating Activities	<u>(633,686)</u>	<u>(264,601)</u>
 Cash Flows from Investing Activities:		
Sale of Investments	3,302,793	10,568,218
Purchase of Investments	<u>(2,663,552)</u>	<u>(10,280,533)</u>
Net Cash Provided by Investing Activities	<u>639,241</u>	<u>287,685</u>
 Net Increase in Cash	5,555	23,084
 Cash - Beginning of Year	<u>100,839</u>	<u>77,755</u>
 Cash - End of Year	<u>\$ 106,394</u>	<u>\$ 100,839</u>

See notes to financial statements.

STABLISH FOUNDATION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization – The Stablish Foundation was organized as a Minnesota nonprofit corporation on February 2, 1995. It was formed to assist donors in fulfilling their charitable intentions providing individualized educational, technical and administrative support. The Foundation assists the donors' professional advisers and documents and administrative support.

Basis of Presentation – Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted – These resources over which the Foundation has discretionary control. Designated amounts represent those revenues that the Foundation has set aside for a particular purpose.

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

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation.

At December 31, 2016 and 2015 the Foundation had no permanently restricted assets.

Contributed Services – The value of services donated by individuals, corporations, foundations and governmental organizations for the Foundation is not reflected in the financial statements since no objective basis is available to measure the value.

Investments – The Foundation reports investments in mutual funds with readily determinable fair values and all investments in life insurance at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Realized investment income and gains restricted by donors are reported as increases in temporarily restricted net assets.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Split Interest Agreements – Funds held for other is reflective of charitable remainder trusts for which the Foundation is the trustee. The Foundation administers these trusts and is the remaining beneficiary. The charitable remainder trusts provide for distributions to the beneficiaries during the life of the trust. At the end of the trust's term, the remaining assets are transferred to the Foundation. The portion of the trust attributable to the future interest of the Foundation was recorded in the statements of activities as temporarily restricted contributions in the period the trust was established. Assets held in the charitable remainder trust are recorded at fair market value in the Foundation's balance sheet.

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The initial contributions are recorded at the present value of the estimated future payments, which is calculated using the IRS mid-term AFR and applicable mortality tables. The AFR was 1.46% and 1.67% at December 31, 2016 and 2015, respectively.

Standards of Accounting and Financial Reporting – The Foundation follows the accounting guidance in the audit and accounting guide, Not for Profit Organizations, which is in conformity with the recommendations of the American Institute of Certified Public Accountants.



STABLISH FOUNDATION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status – The Foundation is qualified as a public charity and is exempt from excise taxes on investment income. The Foundation is also exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The management is of the view that there are no significant tax positions that may be challenged.

The Organization's Forms 990, Return of Organization Exempt from Income Tax for the years ending 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events – Subsequent events have been evaluated through November 6, 2017, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash	\$ 490,856	\$ 1,296,398
Limited Partnerships	504,449	511,069
Mutual Funds	11,317,617	11,112,491
Life Insurance and Annuity Contracts	768,134	809,391
Stock	<u>356,150</u>	<u>384,600</u>
Total Investments	<u>\$13,437,206</u>	<u>\$14,113,949</u>

NOTE 3 – SPLIT INTEREST AGREEMENTS

Assets, liabilities and net assets, which comprise the split interest agreements, are as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investments	\$1,529,772	\$1,945,965
Funds Held for Others		
Present Value of Distributions	992,670	1,270,944
Temporarily Restricted Net Assets	<u>537,102</u>	<u>675,021</u>
Total Liabilities and Net Assets	<u>\$1,529,772</u>	<u>\$1,945,965</u>