

**HEADWATERS FOUNDATION FOR JUSTICE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Headwaters Foundation for Justice  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Headwaters Foundation for Justice, which comprise the statements of financial position as of June 30, 2021 and 2020, and 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.

### ***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 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 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 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.

Board of Directors  
Headwaters Foundation for Justice

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Headwaters Foundation for Justice as of June 30, 2021 and 2020, 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 18, 2021

**HEADWATERS FOUNDATION FOR JUSTICE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,821,891	\$ 4,317,372
Cash Restricted	187,862	636,073
Pledges Receivable, Net	8,412,743	158,861
Grants Receivable	472,500	342,000
Other Receivables	88,652	-
Prepaid Expenses and Other	86,787	248,362
Property and Equipment, Net	177,537	333
Investments	4,071,087	3,368,948
Program Related Investments	510,000	510,000
Interest in the Net Assets of The Minneapolis Foundation	1,296,757	1,047,972
Deferred Rent Asset	1,390	-
	<b>\$ 20,127,206</b>	<b>\$ 10,629,921</b>
Total Assets	<b>\$ 20,127,206</b>	<b>\$ 10,629,921</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 39,378	\$ 10,304
Accrued Expenses	33,654	28,678
Grants Payable	850,000	553,500
Notes Payable	127,789	157,278
Deferred Rent Payable	-	2,750
Tenant Security Deposits	-	1,440
Total Liabilities	1,050,821	753,950
<b>NET ASSETS</b>		
Without Donor Restriction	2,939,556	2,639,222
With Donor Restriction	16,136,828	7,236,749
Total Net Assets	19,076,385	9,875,971
Total Liabilities and Net Assets	<b>\$ 20,127,206</b>	<b>\$ 10,629,921</b>

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions and Grants	\$ 1,604,815	\$ 10,753,911	\$ 12,358,726	\$ 1,779,272	\$ 2,062,317	\$ 3,841,589
Contributions – Donor Advised Funds	952,759	-	952,759	2,912,176	-	2,912,176
Government Grants	-	-	-	170,500	-	170,500
Investment Income	112,083	948,345	1,060,428	40,399	140,518	180,917
Change in Beneficial Interests in						
The Minneapolis Foundation Fund	-	289,192	289,192	-	32,220	32,220
Special Events, Net of Expenses of \$-0- and \$86,184, Respectively	-	-	-	108	-	108
Black Seed Fellowship	-	-	-	-	90,000	90,000
Other Operating Revenue	313,491	-	313,491	444,695	-	444,695
Net Assets Released from Restriction	3,091,369	(3,091,369)	-	521,793	(521,793)	-
Total Revenues, Gains, and Other Support	<u>6,074,517</u>	<u>8,900,079</u>	<u>14,974,596</u>	<u>5,868,943</u>	<u>1,803,262</u>	<u>7,672,205</u>
<b>EXPENSES</b>						
Program Services	4,747,797	-	4,747,797	4,474,512	-	4,474,512
Supporting Services:						
Management and General	541,182	-	541,182	404,857	-	404,857
Fund Development	485,203	-	485,203	347,409	-	347,409
Total Supporting Services	<u>1,026,385</u>	<u>-</u>	<u>1,026,385</u>	<u>752,266</u>	<u>-</u>	<u>752,266</u>
Total Expenses	<u>5,774,182</u>	<u>-</u>	<u>5,774,182</u>	<u>5,226,778</u>	<u>-</u>	<u>5,226,778</u>
<b>CHANGE IN NET ASSETS</b>	300,335	8,900,079	9,200,414	642,165	1,803,262	2,445,427
Net Assets - Beginning of Year	<u>2,639,221</u>	<u>7,236,749</u>	<u>9,875,970</u>	<u>1,997,056</u>	<u>5,433,487</u>	<u>7,430,543</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,939,556</u>	<u>\$ 16,136,828</u>	<u>\$ 19,076,385</u>	<u>\$ 2,639,221</u>	<u>\$ 7,236,749</u>	<u>\$ 9,875,970</u>

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021					2020				
	Program Services	Supporting Services Management and General	Fund Development	Total Supporting Services	Total Expenses	Program Services	Supporting Services Management and General	Fund Development	Total Supporting Services	Total Expenses
Salaries and Benefits	\$ 629,740	\$ 256,401	\$ 343,298	\$ 599,699	\$ 1,229,439	\$ 415,213	\$ 196,139	\$ 253,615	\$ 449,754	\$ 864,967
Consultants	41,464	20,015	8,750	28,765	70,229	55,205	6,831	650	7,481	62,686
Accountants	-	112,523	-	112,523	112,523	-	127,867	-	127,867	127,867
Office Expenses	54,728	61,515	19,469	80,984	135,712	14,730	15,494	16,346	31,840	46,570
Information Technology	26,770	18,323	70,866	89,189	115,959	46,122	19,276	34,703	53,979	100,101
Occupancy	56,256	23,568	31,217	54,785	111,041	46,234	12,782	20,308	33,090	79,324
Conference Conventions and Meetings	13,544	3,385	1,305	4,690	18,234	45,199	11,905	11,789	23,694	68,893
Depreciation	-	14,728	-	14,728	14,728	-	767	-	767	767
Insurance	2,496	2,572	1,371	3,943	6,439	3,080	1,935	1,381	3,316	6,396
Memberships	33,442	-	148	148	33,590	11,205	79	1	80	11,285
Interest Expense	-	6,126	-	6,126	6,126	-	240	-	240	240
Other Expense	79	21,908	8,779	30,687	30,766	1,660	11,542	15,088	26,630	28,290
Bad Debt Expense	1,816	118	-	118	1,934	4,365	-	(6,972)	(6,972)	(2,607)
Total Expenses Before Grants	860,335	541,182	485,203	1,026,385	1,886,720	643,013	404,857	346,909	751,766	1,394,779
Grants (Net of Donor Advised Grants)	2,885,391	-	-	-	2,885,391	1,496,729	-	500	500	1,497,229
Donor Advised Funds Grants	1,002,071	-	-	-	1,002,071	2,334,770	-	-	-	2,334,770
Total Grants	3,887,462	-	-	-	3,887,462	3,831,499	-	500	500	3,831,999
Total Functional Expenses	<u>\$ 4,747,797</u>	<u>\$ 541,182</u>	<u>\$ 485,203</u>	<u>\$ 1,026,385</u>	<u>\$ 5,774,182</u>	<u>\$ 4,474,512</u>	<u>\$ 404,857</u>	<u>\$ 347,409</u>	<u>\$ 752,266</u>	<u>\$ 5,226,778</u>
Percentages	<u>82%</u>	<u>9%</u>	<u>8%</u>	<u>18%</u>	<u>100%</u>	<u>86%</u>	<u>8%</u>	<u>7%</u>	<u>14%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 9,200,414	\$ 2,445,427
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	14,728	767
Net Realized and Unrealized Gain on Investments	(1,014,054)	(117,275)
Change in Beneficial Interest in The Minneapolis Foundation	(289,192)	(32,220)
Change in Allowance for Uncollectible Pledges	460,697	(11,904)
(Increase) Decrease in Assets:		
Pledges Receivable	(8,714,579)	168,155
Grants and Other Receivables	(219,152)	52,700
Prepaid Expenses and Other	161,575	(162,476)
Increase (Decrease) in Liabilities:		
Accounts Payable	29,074	(31,391)
Accrued Expenses	4,976	(180,911)
Grants Payable	296,500	423,500
Deferred Rent Payable	(4,140)	(5,354)
Security Deposits	(1,440)	-
Net Cash, Cash Equivalents, and Restricted Cash Provided (Used) by Operating Activities	(74,593)	2,549,018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(191,932)	-
Purchase of Investments	(1,471,758)	(4,606,339)
Proceeds from Sale of Investments	1,824,080	4,774,655
Net Cash, Cash Equivalents, and Restricted Cash Provided by Investing Activities	160,390	168,316
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	(29,489)	-
Proceeds from Notes Payable	-	157,278
Net Cash, Cash Equivalents, and Restricted Cash Provided (Used) by Financing Activities	(29,489)	157,278
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	56,308	2,874,612
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,953,445	2,078,833
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 5,009,753	\$ 4,953,445
<b>SUPPLEMENTAL DISCLOSURES OF TOTAL CASH</b>		
Cash and Cash Equivalents	\$ 4,821,891	\$ 4,317,372
Restricted Cash	187,862	636,073
Total Cash and Cash Equivalents	\$ 5,009,753	\$ 4,953,445

See accompanying Notes to Financial Statements.



**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Foundation**

Established in 1984, Headwaters Foundation for Justice (The Foundation) works to amplify the power of community to advance equity and justice. Our programs and initiatives support grassroots organizations and networks of people who want to see a more just and sustainable Minnesota. We use a community-centered process to guide our grantmaking. Since our founding, Headwaters has directed more than \$10 million to organizations representing communities historically excluded from resources and power.

**Description of Program Services**

Grantmaking – This program includes the process of grantee outreach, proposal review, grant tracking, record keeping, grants evaluation, and internal grants management. Grantmaking programs include:

Giving Project – Since 2015, this program invests in organizations that are led by and for Black people, Indigenous people, and people of color (BIPOC) that also use a community organizing approach to address root causes of injustice. During fiscal year 2021, cross-class, multiracial cohort of community members managed the Giving Project grantmaking process. The 16-member cohort raised money from their networks and led the grantmaking process; they awarded \$301,050 in 23 general operating grants.

The Fund of the Sacred Circle – According to Native Americans in Philanthropy, foundations invest less than half of one percent of grant dollars in Native communities. Headwaters works to address this imbalance through The Fund of the Sacred Circle Program (FSC). Grants supports Minnesota- and Wisconsin-based Native American organizations that address systemic injustices. General operating grants of \$5,000 to \$10,000 supports work that focuses on language and cultural revitalization; land and environmental restoration; sovereignty and treaty rights; and self-determination and civil rights. In fiscal year 2021, FSC program awarded \$150,000 to ten organizations.

Community Innovation Grants Program (CIG) – This is a longtime partnership with the Bush Foundation. Grants support communities to use problem solving processes that lead to more effective, equitable, and sustainable solutions. This project-specific grant allows organizations to increase collective understanding of an issue, generate ideas, and/or test and implement solutions. In fiscal year 2021 CIG program staff did not award grants due to a Bush Foundation timeline shift and will instead announce grantees during fiscal year 2022.

Rapid Response Grantmaking: Communities First Fund and The Transformation Fund – In the spring of 2020, the local coronavirus public health crisis called systemic and institutional inequities into deeper attention. Headwaters' grantee partners—the majority of which are BIPOC-led—told us about how their communities were absorbing more social, political, and economic consequences than they did before the outbreak. Our response was to fundraise and establish the Communities First Fund on March 15, 2020.

**HEADWATERS FOUNDATION FOR JUSTICE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Program Services (Continued)**

**Rapid Response Grantmaking: Communities First Fund and The Transformation Fund (continued)** –

On May 31, Headwaters responded to another local crisis: the murder of George Floyd. We set up The Transformation Fund (TTF) to move money quickly to frontline organizations as they kept fighting against an ongoing culture of institutional violence and white supremacy. We also wanted TTF to support the long-term movement work for real change required for our collective liberation. These two-rapid response grantmaking initiatives helped Headwaters tune into the community's real-time needs and get grant dollars to where they could be most helpful. In fiscal year 2021, our Rapid Response Grantmaking Programs awarded \$2,575,000 in 52 grants.

**Donor Advised Funds** – This program enables individual donors to advance their philanthropic goals and direct resources to social change groups locally and nationally. Development staff educates donors about social injustice issues, connects them to organizations that match their interests, and provides grantmaking assistance. In fiscal year 2021, The Foundation's allocated \$998,279 in 96 Donor Advised Grants. (Includes grants of \$135,529 to Headwaters.)

**Black Seed Fellowship** – The Black Seed Fellowship is a new strategy for building long-term political power and infrastructure in Minnesota. It is our first initiative coming out of our Black Movement Ecosystem Program (BME). By investing deeply in women and femme organizers from diverse backgrounds, Headwaters helps Fellows develop a series of retreats to provide healing and reconciliation sessions; visioning sessions to build organizing unity and political alignment; and a work-into-action session to plan and execute a collaborative campaign. During the 2021 retreat and coaching planning sessions, Fellows began a process of organizational exploration and development that incorporates support from organizers and partnering organizers who act as validators for the Fellows' leadership in the endeavor. In fiscal year 2021, BME program staff did not award grants and were instead focused on implementation and Fellow recruitment.

**Basis of Presentation**

The Foundation's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers cash on hand and on deposit in banks, and short-term and highly liquid investments to be cash equivalents. Money market investment funds held for endowment purposes are excluded from this classification. At times, the balance of deposits may exceed federally insured limits.

**Restricted Cash**

The Foundation's restricted cash consists of the Donor Advised Fund bank account less the Bush Funds. Restricted cash for the years ended June 30, 2021 and 2020 was \$187,862 and \$636,073, respectively.

**Pledges Receivable**

Pledges receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for the years ended June 30, 2021 and 2020 was \$472,654 and \$11,957, respectively.

**Grants and Other Receivables**

Grants and other receivables consist primarily of cost-reimbursement grants where costs have been incurred prior to year-end and amounts drawn down subsequent to year-end. All amounts are deemed collectible by management and due within one year.

**Revenue Recognition**

Contributions, including unconditional promises to give, are recognized as support without or with donor restriction, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in the net assets with donor restriction, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. The Foundation has elected to present with donor restriction contributions, when restrictions are fulfilled in the same time period as received, within the net asset without donor restriction class.

**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Contributions restricted for the acquisition of long-lived assets are considered released from restriction on a straight-line basis over the estimated useful lives of the assets acquired.

**Property and Equipment**

Property, which consists of leasehold improvements, and equipment, which consists of office furniture and equipment, is stated at cost, if purchased or fair value at date of acquisition for donated property. Depreciation on equipment is computed using the straight-line method over an estimated useful life of three to five years. Amortization of property is computed over the term of the lease. When assets are retired or otherwise disposed of, the recorded value and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected as revenue or expense for the period.

Equipment purchased at a cost of less than \$3,000 is expensed when acquired.

**Investments**

The Foundation reports its investments at fair value, based on quoted market prices. Donated investments are recorded at their fair value on the date of donation. Investment income and realized and unrealized gains and losses are reflected on the statements of activities as investment income or loss.

**Program-Related Investments**

Program-related investments consist of notes receivable from organizations that conduct activities that fulfill the charitable purposes of the Foundation. Program-related investments are initially recorded on the statements of financial position at cost when approved. Uncollected interest earned on these notes receivable is recorded as earned accrued interest receivable, which is included in Prepaid Expenses and Other on the statements of financial position. Program-related investments are recoverable over periods ranging up to three years. Should the lender fail to make progress towards their program goals the Foundation can require repayment. In the event that a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve. There were no allowance or impairment reserve recorded for the years ended June 30, 2021 and 2020 .

**Interest in the Net Assets of The Minneapolis Foundation**

The Foundation has an interest in the net assets of The Minneapolis Foundation Fund. Accounting for the benefits of the fund follows the provisions of Statement of Financial Accounting Standards relating to the *Transfers of Assets to a Not-for-Profit Foundation or Charitable Trust that Raises or Holds Contributions for Others*.

**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interest in the Net Assets of The Minneapolis Foundation (Continued)**

The Minneapolis Foundation holds a fund for the benefit of the Foundation. The fund has two components; transfers to the fund by the Foundation and matching contributions to the fund by The Minneapolis Foundation. Funds transferred to the fund by the Foundation are recognized as an asset at the estimated fair market value by the Foundation and are classified as with donor restriction. Matching funds from The Minneapolis Foundation are recognized as an asset of The Minneapolis Foundation and are not reflected on the statements of financial position of the Foundation. Annual distributions related to this portion of the fund are reported as contributions to the Foundation in the period received and are recorded as without donor restriction. Annual adjustments to the fair values of the amounts reported as assets are recognized as gains or losses and affect net assets with donor restriction.

**Fair Value of Measurement**

Fair value measurement standards established a framework for measuring fair value, a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Foundation accounts for its investments at fair value. The Foundation has categorized its investments, 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 measurement of the instrument.

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

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Measurement (Continued)**

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate. Securities valued using Level 3 inputs include fund held on behalf of Headwaters Foundation for Justice at The Minneapolis Foundation. The underlying securities held at The Minneapolis Foundation are valued using quote market prices; however, the Foundation's interest in the funds held is valued using additional inputs and assumptions.

**Endowment Funds**

*Interpretation of Relevant Law* – In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the board of directors of the Foundation has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees, the duly appointed officers of the Foundation, and legal counsel, and in doing so has interpreted the law to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restriction (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 to the fund in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Foundation 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 the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

*Funds with Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restriction. Deficiencies result from unfavorable market fluctuations that may occur throughout the life of the investment and continued appropriation for certain programs deemed prudent by the board of directors. As of June 30, 2021 and 2020, there were no funds with deficiencies.

**HEADWATERS FOUNDATION FOR JUSTICE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Endowment Funds (Continued)**

*Return Objectives and Risk Parameters* – The Foundation has adopted investment and spending policies that attempt to provide growth of principal value to support future income needs. The secondary objective is to provide current income during the formative years of the endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index or the statistical universe for similar funds while assuming a moderate level of investment risk.

*Strategies Employed for Achieving Objectives* – 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.

**Endowment Distribution Policy**

The Foundation uses total return concept in determining allowable distributions from the Endowment Funds, as follows:

*General Endowment Fund and Fund of the Sacred Circle:* Distributions are determined based on the Fund's average investment balance over 16 trailing quarters, using a distribution rate of 4% per annum.

*Headwaters Foundation for Justice Fund of The Minneapolis Foundation:* Headwaters may request distributions from the Fund. Distributions from the Fund will be at the discretion of The Minneapolis Foundation's board of trustees, but the Foundation will have the right to submit its recommendations with respect to distributions of income from the Fund. The Foundation's current policy is to distribute 4% of the trailing 12-quarter average fair market value of the Fund.

**Grants**

Grants are recognized as expenses when approved by the board of directors. Refunds and revisions of grants may occur when grant program needs are less than the awarded amount or the grantee does not meet grant requirements. Grants receivable balances as of June 31, 2020 and 2021 were due to be received in less than one year.

**In-Kind Contributed Material and Services**

Contributions of donated noncash assets are recorded at their fair values in the period received. Donated services are recognized as contributions if the services require specialized skills, are performed by persons with those skills, and would otherwise be purchased. In-kind contributions consisted of in-kind goods and services of \$39,515 and \$-0- at June 30, 2021 and 2020, respectively.

**HEADWATERS FOUNDATION FOR JUSTICE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Except for certain expenses allocated directly, expenses are allocated among the program and supporting services categories based upon management's estimate in the approved budget of time expended by employees in each functional area. Those expenses include rent, supplies, postage, printing, insurance, computer software, and telephone.

**Use of Estimates**

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 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.

**Tax-Exempt Status**

The Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute 290.05. It is classified as a foundation that is not a private foundation under Section 509(a)(1) of the IRC and contributions by donors are tax deductible.

The Foundation follows accounting standards for uncertain tax positions and files as a tax-exempt organization. During 2021 and 2020, the Foundation has not recognized any liability for uncertain tax positions. The Foundation's tax returns are subject to review and examination by federal and state authorities.

**Change in Accounting Principle**

The Foundation adopted Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for non-public entities. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted.

**Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through October 18, 2021, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Pledges Receivable:		
Due in Less than One Year	\$ 2,081,552	\$ 170,818
Due in One to Five Years	7,000,000	-
Total	<u>9,081,552</u>	<u>170,818</u>
Less: Unamortized Discount	(196,155)	-
Net Pledges Receivable Before Allowance	<u>8,885,397</u>	<u>170,818</u>
Allowance	(472,654)	(11,957)
Net Pledges Receivable	<u><u>\$ 8,412,743</u></u>	<u><u>\$ 158,861</u></u>

As of June 30, 2021, multi-year commitments were discounted to present value using an imputed interest rate of 0.81%.

**NOTE 3 INVESTMENTS**

Investments consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 56,703	\$ 2,666
Domestic Equity	1,542,566	1,107,321
International Equity	796,633	616,739
Fixed Income	928,434	960,177
Equity Mutual Funds	746,751	682,045
Total	<u><u>\$ 4,071,087</u></u>	<u><u>\$ 3,368,948</u></u>

Net investment return consisted of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Investment Income	\$ 46,374	\$ 63,642
Realized Gains	193,582	1,045,457
Net Unrealized Gains (Losses)	820,472	(928,182)
Net Investment Return	<u><u>\$ 1,060,428</u></u>	<u><u>\$ 180,917</u></u>

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 4 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. For additional information on how the Foundation values all other assets and liabilities, refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis at June 30 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equity	\$ 1,542,566	\$ -	\$ -	\$ 1,542,566
International Equity	796,633	-	-	796,633
Fixed Income	928,434	-	-	928,434
Equity Mutual Funds	503,911	-	-	503,911
Interest in the Net Assets of The Minneapolis Foundation	-	-	1,296,757	1,296,757
Total	<u>\$ 3,771,544</u>	<u>\$ -</u>	<u>\$ 1,296,757</u>	5,068,301
Investments Valued at NAV				242,840
Total				<u>\$ 5,311,141</u>

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equity	\$ 1,107,321	\$ -	\$ -	\$ 1,107,321
International Equity	616,739	-	-	616,739
Fixed Income	960,177	-	-	960,177
Equity Mutual Funds	438,374	-	-	438,374
Interest in the Net Assets of The Minneapolis Foundation	-	-	1,047,972	1,047,972
Total	<u>\$ 3,122,612</u>	<u>\$ -</u>	<u>\$ 1,047,972</u>	4,170,584
Investments Valued at NAV				243,671
Total				<u>\$ 4,414,255</u>

**Assets Measured Using Net Asset Value per Share (or its Equivalent)**

The Foundation values certain investment holdings at fair value using their net asset value and has the ability to redeem its investments with the investee at the net asset value per share (or its equivalent) at the measurement date.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of June 30:

	2021 Net Asset Value	2020 Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Boston Common Small Cap Social Fund	\$ 242,840	\$ 243,671	\$ -	90 days	Monthly

**HEADWATERS FOUNDATION FOR JUSTICE  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Assets Measured Using Net Asset Value per Share (or its Equivalent)(Continued)**

Boston Common Small Cap Social Fund invests primarily in socially screened U.S. small capitalization equity securities with low valuations. The objective of the Fund is to achieve long-term capital appreciation and the fair value of the fund is estimated using the net asset value per share of the investments.

The Foundation's interest in the net assets of The Minneapolis Foundation have been estimated by management in the absence of readily determinable market values based on information provided by the fund manager. The following table presents the changes in the fair value of the Interest in the Net Assets of The Minneapolis Foundation, Level 3 financial assets for the years ended June 30:

	2021	2020
Balance - Beginning of Year	\$ 1,047,972	\$ 1,054,771
Change in Beneficial Interests in The Minneapolis Foundation Fund	289,192	32,220
Distributions	(40,407)	(39,019)
Balance - End of Year	<u>\$ 1,296,757</u>	<u>\$ 1,047,972</u>

The following is a summarization of the level 3 significant unobservable inputs:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Interest in the Net Assets of The Minneapolis Foundation	\$ 1,296,757	\$ 1,047,972	Net Asset Value	Value of Underlying Assets

**NOTE 5 PROGRAM-RELATED INVESTMENTS**

Program-related investments consist of the following notes receivable at June 30:

	2021	2020
Propel Nonprofits:		
Matures September 2021	\$ 125,000	\$ 125,000
Matures September 2022	100,000	100,000
Matures June 2024	125,000	-
Matures December 2024	100,000	100,000
Community Reinvestment Fund:		
Matures September 2020	-	125,000
Matures November 2021	60,000	60,000
Total	<u>\$ 510,000</u>	<u>\$ 510,000</u>

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2021	2020
Office Furniture and Equipment	\$ 14,753	\$ 19,733
Leasehold Improvements	191,932	-
Accumulated Depreciation and Amortization	(29,148)	(19,400)
Net Property and Equipment	\$ 177,537	\$ 333

Depreciation expense totaled \$14,728 and \$767 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 7 ENDOWMENT COMPOSITION AND CHANGES TO ENDOWMENT NET ASSETS**

Endowment net assets consisted of the following donor established funds as of June 30:

	Without Donor Restriction	With Donor Restriction	2021 Total
General Endowment	\$ -	\$ 4,064,453	\$ 4,064,453
Fund of the Sacred Circle	-	516,634	516,634
Interest in the Net Assets of The Minneapolis Foundation	-	1,296,757	1,296,757
Total	\$ -	\$ 5,877,844	\$ 5,877,844

  

	Without Donor Restriction	With Donor Restriction	2020 Total
General Endowment	\$ -	\$ 3,420,575	\$ 3,420,575
Fund of the Sacred Circle	-	448,401	448,401
Interest in the Net Assets of The Minneapolis Foundation	-	1,047,972	1,047,972
Total	\$ -	\$ 4,916,948	\$ 4,916,948

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 7 ENDOWMENT COMPOSITION AND CHANGES TO ENDOWMENT NET ASSETS  
(CONTINUED)**

Changes in net assets consisted of the following for the years ended June 30:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Investments - July 1, 2019	\$ -	\$ 4,928,758	\$ 4,928,758
Net Investment Income	-	140,518	140,518
Change in Interest in Net Assets of The Minneapolis Foundation	-	32,220	32,220
Total Investment Return	-	172,738	172,738
Appropriations of Endowment Assets for Expenditure	-	(184,548)	(184,548)
Endowment Investments - June 30, 2020	-	4,916,948	4,916,948
Investment Return:			
Net Investment Income	-	948,345	948,345
Change in Interest in Net Assets of The Minneapolis Foundation	-	289,192	289,192
Total Investment Return	-	1,237,537	1,237,537
Appropriations of Endowment Assets for Expenditure	-	(276,641)	(276,641)
Endowment Investments - June 30, 2021	\$ -	\$ 5,877,844	\$ 5,877,844

**NOTE 8 NOTES PAYABLE**

During 2020, the Foundation entered into a construction loan to fund office improvements in the amount of \$160,000. The note matures on May 1, 2025 and has an interest rate of 4.15%. The first payment was due June 1, 2020 and will go through May 1, 2025 for 60 monthly payments of \$2,961.96. The note is secured by the Foundation's money market savings account. The outstanding principal due was \$127,658 and \$157,278 as of June 31, 2021 and 2020, respectively. Of the outstanding principal due as of June 31, 2021, the amount due within one year is \$30,812.

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 9 PAYCHECK PROTECTION LOAN**

On April 20, 2020, the Foundation received proceeds in the amount of \$170,500 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The Foundation classified this loan as a conditional contribution for 2020 for accounting purposes. The Foundation recognized \$170,500 of Government Grant revenue related to this agreement during the year ended June 30, 2020, which represents the portion of the PPP loan funds for which the performance barriers have been met as of the report date. On January 25, 2021, the Foundation received notification that the PPP loan was forgiven in full by the SBA.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTION**

**With Donor Restriction**

Net assets with donor restriction consisted of the following:

	2021	2020
Purpose and Time Restricted:		
Fund of the Sacred Circle	\$ 29,155	\$ 121,883
Black Seed	792,600	97,600
Transformation Fund	101,614	1,792,318
Restricted for Time	9,335,615	308,000
Endowment Funds	1,465,864	504,968
Total Purpose and Time Restricted	11,724,848	2,824,769
Restricted in Perpetuity:		
General Endowment	3,186,156	3,186,156
Fund of the Sacred Circle	306,922	306,922
Headwaters Foundation for Justice		
Fund of the Minneapolis Foundation	918,902	918,902
Total Restricted in Perpetuity	4,411,980	4,411,980
 Total With Donor Restrictions	 \$ 16,136,828	 \$ 7,236,749

**HEADWATERS FOUNDATION FOR JUSTICE  
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**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Restrictions Releases**

Net assets restrictions were released as a result of the following conditions being met:

	2021	2020
Time	\$ 142,000	\$ 225,850
Purpose:		
Black Seed Fellowship	-	72,400
Racial Justice Retreat	-	25,000
Fund of the Sacred Circle	192,728	13,995
The Transformation Fund	2,480,000	-
Endowment	276,641	184,548
Total	\$ 3,091,369	\$ 521,793

**NOTE 11 DONOR ADVISED FUNDS**

The Foundation held donor advised funds amounting to \$693,550 and \$712,873 as of June 30, 2021 and 2020, respectively. Donors of the funds have the right to advise the Foundation related to grants from the funds; however, the Foundation's board of directors retains the right to direct the grants. The donor advised funds are included within net assets without donor restriction on the statements of financial position.

**NOTE 12 RETIREMENT PLAN**

Employees of the Foundation meeting certain eligibility requirements are eligible to participate in a contributory 401(k) retirement plan. The Foundation contributes a discretionary amount to the plan which was \$44,337 and \$30,224 for the years ended June 30, 2021 and 2020, respectively.

**HEADWATERS FOUNDATION FOR JUSTICE  
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**NOTE 13 OPERATING LEASES**

The Foundation leases office space under a lease that calls for escalating lease payments with an original term through September 30, 2020. A lease amendment was signed on February 12, 2020 to extend the lease term starting on October 1, 2020 for a period of 10 years. The lease amendment included a tenant improvement package and tenant allowance provided by the landlord in the amount of \$119,070. This amount will be amortized equally over the life of the lease to reduce rental expense.

Rent expense totaled \$111,041 and \$79,324 net of sublease income of \$-0- and \$34,638 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 60,627
2023	61,883
2024	63,139
2025	64,395
2026	65,651
Thereafter	292,911
Total	<u><u>\$ 608,606</u></u>

**NOTE 14 CONCENTRATIONS**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and pledges receivable. The Foundation places its temporary cash investments with high quality financial institutions and seeks to limit the amount of credit exposure to any one financial institution. At June 30, 2021, 99% of the Foundation's gross pledges receivable balance was related to two donors. Additionally, 81% of the Foundation's gross contributions balance was from two donors.

**NOTE 15 INTEREST IN THE NET ASSETS OF THE MINNEAPOLIS FOUNDATION FUND**

The Foundation has established a fund with The Minneapolis Foundation, under terms of the agreement and Memorandum of Understanding. The Minneapolis Foundation has established a separate fund known as the "Headwaters Foundation for Justice Fund" (the Fund). Amounts contributed by the Foundation to the Fund will be matched, up to \$750,000, by contributions to the Fund from The Minneapolis Foundation. The Fund will be used in carrying out its charitable purposes, especially with respect to funding social justice programs as reflected by the Foundation's existing and historical grantmaking and capacity building programs and initiatives. As previously mentioned in Note 1, distributions from the Fund will be at the discretion of The Minneapolis Foundation's board of trustees, but the Foundation will have the right to submit its recommendations with respect to distributions of income from the Fund. The value of the underlying assets of the Fund, including the portion contributed by The Minneapolis Foundation, was \$2,593,763 and \$2,096,262 at June 30, 2021 and 2020, respectively.



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**NOTE 15 INTEREST IN THE NET ASSETS OF THE MINNEAPOLIS FOUNDATION FUND  
(CONTINUED)**

The plan governing the administration of the Fund indicates The Minneapolis Foundation's board of trustees has the power to modify or eliminate any restriction, condition, limitation or trust imposed with respect to the Fund, if, in the sole judgment of the board of trustees, such restriction, condition, limitation, or trust becomes necessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by The Minneapolis Foundation.

That portion of the funds derived from amounts placed in the funds by the Foundation is included in the statement of financial position. The balance of the funds are derived from the matching amounts placed there by the Minneapolis Foundation are not included in statements of financial position due to the variance power they hold.

**NOTE 16 AVAILABLE RESOURCES AND LIQUIDITY**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. HFJ has a finance and investment committee and board of directors that meet regularly and oversees the available resources and liquidity. HFJ has various sources of liquidity at its disposal, including cash and cash equivalents, investments, program related investments, and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of community grantmaking, donor advised funds, program related expenses, development, and capacity building services as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash and shows positive cash generated by operations for fiscal years 2020 and 2021.

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 16 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)**

The following tables show the total financial assets held by the Foundation and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures, as of June 30:

	2021	2020
Financial Assets at Year-End:		
Cash	\$ 5,009,753	\$ 4,953,445
Pledges Receivable, Net	8,412,743	158,861
Grants, and Other Receivables	561,152	342,000
Investments	4,071,087	3,368,948
PRI	510,000	510,000
Interest in Net Assets of MPLS Foundation	1,296,757	1,047,972
Total Financial Assets at Year-End	19,861,492	10,381,226
Less Amounts Not Available to be Used Within One Year:		
Cash and Equivalents	187,862	636,073
Endowment Investments	5,877,844	4,916,948
Less: Amount Expected to be Appropriated for Expenditure	(160,000)	(200,000)
Less: Program Related Income Due over the Next Twelve Months	185,000	225,000
Net Assets With Donor Restrictions Subject to Expenditures for Specified Purpose or Passage of Time	10,258,984	2,319,801
Less: Net Assets With Restrictions to be Met over the Next Twelve Months:		
Purpose	(710,869)	(1,925,802)
Time	(2,335,615)	(242,000)
Total	13,303,206	5,730,020
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 6,558,286	\$ 4,651,206

The design of the Foundation's internal controls is designed to be cost effective. The Foundation's maintains accounts necessary for daily operations, a checking account, and multiple savings accounts to maintain Federal Deposit Insurance Corporation coverage. For purposed of liquidity, it is the policy of the Foundation to maintain operating funds and donor advised cash balances in checking and/or savings accounts.

At the beginning of each fiscal year, the Foundation strives to establish working capital of no less than three months of operating expenses in the approved budget. In addition, the Foundation strives to maintain no less than three months operating expenses in reserve (savings). The working capital and reserve are used to satisfy the fluctuating needs for cash during the year and provide solid cash management.

**HEADWATERS FOUNDATION FOR JUSTICE**  
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**NOTE 17 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)**

The Foundation's largest intermitted expenses are grant payments. Grant Committees meet regularly to review and recommend grant requests to be approved by the board. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for on-going grant commitments recommended by Grant Committees and approved by the board.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

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