

HEADWATERS FOUNDATION FOR JUSTICE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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**HEADWATERS FOUNDATION FOR JUSTICE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Headwaters Foundation for Justice
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Headwaters Foundation for Justice, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statement, in 2023 Headwaters Foundation for Justice adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Headwaters Foundation for Justice and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Headwaters Foundation for Justice's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Headwaters Foundation for Justice's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Headwaters Foundation for Justice's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 22, 2024

**HEADWATERS FOUNDATION FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 3,853,183	\$ 7,609,013
Cash Restricted	723,137	1,266,252
Pledges and Grants Receivable, Net	5,105,132	14,017,679
Other Receivables	2,490	-
Prepaid Expenses and Other Assets	79,871	78,453
Property and Equipment, Net	210,369	158,344
Investments	7,406,219	3,243,012
Program Related Investments	510,000	510,000
Interest in the Net Assets of The Minneapolis Foundation	1,124,340	1,103,673
Right of Use Asset - Operating Lease	501,992	-
	\$ 19,516,733	\$ 27,986,426
Total Assets	\$ 19,516,733	\$ 27,986,426
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 75,144	\$ 22,948
Accrued Expenses	49,464	186,438
Grants Payable	25,000	1,235,000
Notes Payable	64,962	97,034
Refundable Advance	245,046	-
Deferred Rent Payable	-	8,716
Lease Liabilities	514,706	-
Total Liabilities	974,322	1,550,136
NET ASSETS		
Without Donor Restriction	6,564,179	4,345,464
With Donor Restriction	11,978,232	22,090,826
Total Net Assets	18,542,411	26,436,290
Total Liabilities and Net Assets	\$ 19,516,733	\$ 27,986,426

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions and Grants	\$ 1,428,528	\$ 1,092,962	\$ 2,521,490	\$ 1,996,218	\$ 10,299,188	\$ 12,295,406
Contributions – Donor Advised Funds	833,131	-	833,131	2,134,200	-	2,134,200
Government Grants	61,262	-	61,262	-	-	-
Investment Income	121,147	402,647	523,794	60,491	(675,031)	(614,540)
Change in Beneficial Interests in						
The Minneapolis Foundation Fund	-	66,568	66,568	-	(150,698)	(150,698)
Other Operating Revenue	23,298	-	23,298	45,543	-	45,543
Loss on Uncollectible Grants Receivable	-	(7,160,000)	(7,160,000)	-	-	-
Net Assets Released from Restriction	4,514,771	(4,514,771)	-	3,519,461	(3,519,461)	-
Total Revenues, Gains, and Other Support	<u>6,982,137</u>	<u>(10,112,594)</u>	<u>(3,130,457)</u>	<u>7,755,913</u>	<u>5,953,998</u>	<u>13,709,911</u>
EXPENSES						
Program Services	3,387,325	-	3,387,325	5,073,284	-	5,073,284
Supporting Services:						
Management and General	760,726	-	760,726	647,050	-	647,050
Fund Development	615,371	-	615,371	629,672	-	629,672
Total Supporting Services	<u>1,376,097</u>	<u>-</u>	<u>1,376,097</u>	<u>1,276,722</u>	<u>-</u>	<u>1,276,722</u>
Total Expenses	<u>4,763,422</u>	<u>-</u>	<u>4,763,422</u>	<u>6,350,006</u>	<u>-</u>	<u>6,350,006</u>
CHANGE IN NET ASSETS	2,218,715	(10,112,594)	(7,893,879)	1,405,907	5,953,998	7,359,905
Net Assets - Beginning of Year	<u>4,345,464</u>	<u>22,090,826</u>	<u>26,436,290</u>	<u>2,939,557</u>	<u>16,136,828</u>	<u>19,076,385</u>
NET ASSETS - END OF YEAR	<u>\$ 6,564,179</u>	<u>\$ 11,978,232</u>	<u>\$ 18,542,411</u>	<u>\$ 4,345,464</u>	<u>\$ 22,090,826</u>	<u>\$ 26,436,290</u>

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023					2022				
	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	\$ 772,282	\$ 396,852	\$ 495,167	\$ 892,019	\$ 1,664,301	\$ 1,112,656	\$ 366,723	\$ 571,948	\$ 938,671	\$ 2,051,327
Consultants	196,879	167,048	25,341	192,389	389,268	35,135	75,718	11,590	87,308	122,443
Accountants	68,899	55,759	45,836	101,595	170,494	38,173	29,497	20,571	50,068	88,241
Office Expenses	9,768	4,364	15,581	19,945	29,713	14,650	23,298	28,779	52,077	66,727
Information Technology	38,994	21,927	38,721	60,648	99,642	60,112	51,457	41,883	93,340	153,452
Occupancy	55,552	30,645	37,553	68,198	123,750	65,649	24,427	34,595	59,022	124,671
Conference Conventions and Meetings	15,450	31,498	36,174	67,672	83,122	26,023	32,526	20,763	53,289	79,312
Depreciation	-	20,021	-	20,021	20,021	-	19,193	-	19,193	19,193
Insurance	1,942	2,438	1,295	3,733	5,675	2,465	3,204	1,327	4,531	6,996
Memberships	23,650	7,154	-	7,154	30,804	25,200	77	(19)	58	25,258
Interest Expense	-	3,470	-	3,470	3,470	-	4,789	-	4,789	4,789
Other Expense	3,409	19,540	20,435	39,975	43,384	5,409	15,873	15,052	30,925	36,334
Bad Debt Expense (Recovery)	90	10	(100,732)	(100,722)	(100,632)	2,415	268	(120,217)	(119,949)	(117,534)
Total Expenses Before Grants	1,186,915	760,726	615,371	1,376,097	2,563,012	1,387,887	647,050	626,272	1,273,322	2,661,209
Grants (Net of Donor Advised Grants)	189,300	-	-	-	189,300	2,380,055	-	3,400	3,400	2,383,455
Donor Advised Funds Grants	2,011,110	-	-	-	2,011,110	1,305,342	-	-	-	1,305,342
Total Grants	2,200,410	-	-	-	2,200,410	3,685,397	-	3,400	3,400	3,688,797
Total Functional Expenses	<u>\$ 3,387,325</u>	<u>\$ 760,726</u>	<u>\$ 615,371</u>	<u>\$ 1,376,097</u>	<u>\$ 4,763,422</u>	<u>\$ 5,073,284</u>	<u>\$ 647,050</u>	<u>\$ 629,672</u>	<u>\$ 1,276,722</u>	<u>\$ 6,350,006</u>
Percentages	<u>71%</u>	<u>16%</u>	<u>13%</u>	<u>29%</u>	<u>100%</u>	<u>80%</u>	<u>10%</u>	<u>10%</u>	<u>20%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.

**HEADWATERS FOUNDATION FOR JUSTICE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (7,893,879)	\$ 7,359,905
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	20,021	19,193
Net Realized and Unrealized (Gains) Losses on Investments	(466,145)	659,967
Change in Beneficial Interest in The Minneapolis Foundation	(66,568)	150,698
Loss on Uncollectible Grants Receivable	7,160,000	-
Loss (Recovery) on Uncollectible Pledges	(100,632)	(120,217)
(Increase) Decrease in Assets:		
Pledges and Grants Receivable	1,853,179	(5,012,219)
Other Receivables	(2,490)	88,652
Prepaid Expenses and Other	(1,418)	9,724
Increase (Decrease) in Liabilities:		
Accounts Payable	52,196	(16,431)
Accrued Expenses	(136,974)	152,784
Grants Payable	(1,210,000)	385,000
Refundable Advance	245,046	-
Deferred Rent Payable	(8,716)	8,716
Lease Liabilities	12,714	-
Net Cash, Cash Equivalents, and Restricted Cash Provided (Used) by Operating Activities	(543,666)	3,685,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(72,046)	-
Purchase of Investments	(6,221,534)	(3,683,684)
Proceeds from Sale of Investments	2,570,373	3,894,179
Net Cash, Cash Equivalents, and Restricted Cash Provided (Used) by Investing Activities	(3,723,207)	210,495
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(32,072)	(30,755)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(4,298,945)	3,865,512
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	8,875,265	5,009,753
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 4,576,320	\$ 8,875,265
SUPPLEMENTAL DISCLOSURES OF TOTAL CASH		
Cash and Cash Equivalents	\$ 3,853,183	\$ 7,609,013
Restricted Cash	723,137	1,266,252
Total Cash and Cash Equivalents	\$ 4,576,320	\$ 8,875,265

See accompanying Notes to Financial Statements.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

Black Movement Ecosystem

The Black Movement Ecosystem program is a new strategy for building long-term political power and infrastructure in Minnesota. By investing deeply in women and femme organizers from diverse backgrounds, Headwaters helps grantee organizations build power and liberation. In fiscal year 2023, BME program awarded \$272,000 to 17 organizations.

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 2023, The Foundation's allocated \$1,210,960 to 113 organizations. (\$189,300 awarded to Headwaters Foundation.)

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 2023, Headwaters awarded \$208,000 in 13 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 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 2023, FSC program awarded \$304,000 to 19 organizations.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program Services (Continued)

Rapid Response Grantmaking

In fiscal year 2023, our Rapid Response Grantmaking Programs awarded \$40,000 to two organizations.

Other Programs

Headwaters has additional programming that includes support beyond the dollars, Native strategies, and general programmatic work to support the mission and values of advancing equity, demanding inclusion, transforming power, and trusting the community.

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 (U.S. GAAP). 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.

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, 2023 and 2022 was \$- and \$1,266,252, respectively.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Grants Receivable

Pledges and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for the years ended June 30, 2023 and 2022 was \$- and \$-, respectively.

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.

Contributions restricted for the acquisition of long-lived assets are considered released from restriction when the assets acquired are placed in service.

Government Grants

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. In fiscal year 2023, the Foundation received conditional government grant funding in the amount of \$306,308. Grants related to this program are classified as government grant revenue. Subsequent to receiving an advance of these funds, the Foundation determined that it had not overcome the conditions of eligibility of the government program. Accordingly, the Foundation has reported \$245,046 of these conditional government grant funds received as a refundable advance liability on the accompanying statement of financial position at June 30, 2023.

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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022 .

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*.

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 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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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.

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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

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 U.S. GAAP, 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, 2023 and 2022, there were no funds with deficiencies.

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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 payable balances as of June 30, 2023 and 2022 were due to be paid in less than one year.

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.

Leases

Headwaters determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent Headwater's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement of date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Headwaters will exercise that option.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, Headwaters has elected to use a risk-free discount rate determined by using a period comparable with that of the lease term for computing the present value of lease liabilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 2023 and 2022, 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.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of Right of Use (ROU) Assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Headwaters adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Headwaters has elected to adopt the package of practical expedients available in the year of adoption. Headwaters has elected to adopt the available practical expedient to use hindsight in determining the lease term not assessing the lease classification on existing leases and in assessing impairment of its ROU assets.

Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through February 22, 2024, 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Pledges and Grants Receivable:		
Due in Less than One Year	\$ 2,419,090	\$ 4,048,745
Due in One to Five Years	3,015,000	11,000,000
Total	<u>5,434,090</u>	<u>15,048,745</u>
Less: Unamortized Discount	(77,253)	(678,629)
Net Pledges & Grants Receivable Before Allowance	<u>5,356,837</u>	<u>14,370,116</u>
Allowance	(251,705)	(352,437)
Net Pledges and Grants Receivable	<u><u>\$ 5,105,132</u></u>	<u><u>\$ 14,017,679</u></u>

As of June 30, 2023 and 2022, multi-year commitments were discounted to present value using imputed interest rates between 0.87-3.01%.

NOTE 3 INVESTMENTS

Investments consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 695,291	\$ 61,444
Fixed Income	4,009,062	721,295
Equity Mutual Funds	2,701,866	2,460,273
Total	<u><u>\$ 7,406,219</u></u>	<u><u>\$ 3,243,012</u></u>

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

	<u>2023</u>	<u>2022</u>
Investment Income	\$ 57,779	\$ 45,427
Realized Gains	64,628	484,378
Net Unrealized Gains (Losses)	401,517	(1,144,345)
Net Investment Return	<u><u>\$ 523,924</u></u>	<u><u>\$ (614,540)</u></u>

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

	2023			Total
	Level 1	Level 2	Level 3	
Investments:				
Fixed Income	\$ 4,009,062	\$ -	\$ -	\$ 4,009,062
Equity Mutual Funds	2,540,884	-	-	2,540,884
Interest in the Net Assets of The Minneapolis Foundation	-	-	1,124,340	1,124,340
Total	<u>\$ 6,549,946</u>	<u>\$ -</u>	<u>\$ 1,124,340</u>	7,674,286
Investments Valued at NAV				160,982
Total				<u>\$ 7,835,268</u>

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Fixed Income	\$ 721,295	\$ -	\$ -	\$ 721,295
Equity Mutual Funds	2,304,584	-	-	2,304,584
Interest in the Net Assets of The Minneapolis Foundation	-	-	1,103,673	1,103,673
Total	<u>\$ 3,025,879</u>	<u>\$ -</u>	<u>\$ 1,103,673</u>	4,129,552
Investments Valued at NAV				155,689
Total				<u>\$ 4,285,241</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:

	Net Asset Value		Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	2023	2022			
Boston Common Small Cap Social Fund	\$ 160,982	\$ 155,689	\$ -	90 days	Monthly

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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 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:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 1,103,673	\$ 1,296,757
Change in Beneficial Interests in The Minneapolis Foundation Fund	66,568	(150,698)
Distributions	<u>(45,901)</u>	<u>(42,386)</u>
Balance - End of Year	<u>\$ 1,124,340</u>	<u>\$ 1,103,673</u>

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

<u>Instrument</u>	<u>Fair Value</u>		<u>Principal Valuations Technique</u>	<u>Unobservable Inputs</u>
	<u>2023</u>	<u>2022</u>		
Interest in the Net Assets of The Minneapolis Foundation	\$ 1,124,340	\$ 1,103,673	Net Asset Value	Value of Underlying Assets

NOTE 5 PROGRAM-RELATED INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Propel Nonprofits:		
Matures September 2022	\$ -	\$ 100,000
Matures September 2023	125,000	125,000
Matures June 2024	60,000	60,000
Matures June 2024	125,000	125,000
Matures December 2024	100,000	100,000
Matures September 2025	100,000	-
Total	<u>\$ 510,000</u>	<u>\$ 510,000</u>

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Office Furniture and Equipment	\$ 14,753	\$ 14,753
Leasehold Improvements	263,978	191,932
Accumulated Depreciation and Amortization	<u>(68,362)</u>	<u>(48,341)</u>
Net Property and Equipment	<u>\$ 210,369</u>	<u>\$ 158,344</u>

Depreciation expense totaled \$20,021 and \$19,193 for the years ended June 30, 2023 and 2022, 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:

<u>June 30, 2023</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
General Endowment	\$ -	\$ 3,491,871	\$ 3,491,871
Fund of the Sacred Circle	-	504,753	504,753
Interest in the Net Assets of The Minneapolis Foundation	-	1,124,340	1,124,340
Total	<u>\$ -</u>	<u>\$ 5,120,964</u>	<u>\$ 5,120,964</u>
<u>June 30, 2022</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
General Endowment	\$ -	\$ 3,323,072	\$ 3,323,072
Fund of the Sacred Circle	-	429,940	429,940
Interest in the Net Assets of The Minneapolis Foundation	-	1,103,673	1,103,673
Total	<u>\$ -</u>	<u>\$ 4,856,685</u>	<u>\$ 4,856,685</u>

**HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**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, 2021	\$ -	\$ 5,877,844	\$ 5,877,844
Net Investment Income	-	(675,031)	(675,031)
Change in Interest in Net Assets of The Minneapolis Foundation	-	(150,830)	(150,830)
Total Investment Return	-	(825,861)	(825,861)
Contributions	-	24	24
Appropriations of Endowment Assets for Expenditure	-	(195,322)	(195,322)
Endowment Investments - June 30, 2022	-	4,856,685	4,856,685
Investment Return:			
Net Investment Income	-	402,647	402,647
Change in Interest in Net Assets of The Minneapolis Foundation	-	66,438	66,438
Total Investment Return	-	469,085	469,085
Appropriations of Endowment Assets for Expenditure	-	(204,806)	(204,806)
Endowment Investments - June 30, 2023	\$ -	\$ 5,120,964	\$ 5,120,964

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 \$2,962. The note is secured by the Foundation's money market savings account. The outstanding principal due was \$- and \$- as of June 30, 2023 and 2022, respectively. Of the outstanding principal due as of June 30, 2023, the amount due within one year is \$33,474.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

With Donor Restriction

Net assets with donor restriction consisted of the following:

	<u>2023</u>	<u>2022</u>
Purpose and Time Restricted:		
Transformation Fund	\$ 64,188	\$ 7,304,187
Restricted for Time	6,793,080	9,929,954
Endowment Funds	<u>708,984</u>	<u>444,705</u>
Total Purpose and Time Restricted	7,566,252	17,678,846
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	<u>918,902</u>	<u>918,902</u>
Total Restricted in Perpetuity	<u>4,411,980</u>	<u>4,411,980</u>
 Total With Donor Restrictions	 <u>\$ 11,978,232</u>	 <u>\$ 22,090,826</u>

Restrictions Releases

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

	<u>2023</u>	<u>2022</u>
Time	\$ 3,069,954	\$ 2,300,615
Purpose:		
Fund of the Sacred Circle	-	1,023,523
The Transformation Fund	1,240,011	-
Endowment	<u>204,806</u>	<u>195,323</u>
Total	<u>\$ 4,514,771</u>	<u>\$ 3,519,461</u>

NOTE 10 DONOR ADVISED FUNDS

The Foundation held donor advised funds amounting to \$723,137 and \$1,266,252 as of June 30, 2023 and 2022, 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.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 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 \$68,987 and \$66,993 for the years ended June 30, 2023 and 2022, respectively.

NOTE 12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Foundation leases office space under an operating 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.

The following table provides quantitative information concerning the Foundation's leases for the year ended June 30, 2023:

Operating Lease Costs	<u>\$ 77,272</u>
Other Information:	
Operating Cash Flows from Operating Leases	\$ 73,790
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 563,313
Weighted-Average Remaining Lease Term - Operating Leases	7.25 years
Weighted-Average Discount Rate - Operating Leases	2.92%

As of June 30, 2023, the Foundation's lease liability consists of the following:

	<u>2023</u>
Current Lease Liabilities	\$ 60,823
Long-Term Lease Liabilities	453,883
Total Lease Liabilities	<u>\$ 514,706</u>

**HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 12 RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for the lease liability as of June 30, 2023 is as follows:

<u>Year</u>	<u>Operating Leases</u>
2024	\$ 75,046
2025	76,302
2026	77,108
2027	78,664
2028	80,070
Thereafter	184,632
Total Lease Payments	<u>571,822</u>
Less: Interest	<u>(57,116)</u>
Present Value of Lease Liabilities	<u>\$ 514,706</u>

NOTE 13 CONCENTRATIONS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and pledges and grants 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, 2023, 92% of the Foundation's gross pledges and grants receivable balance was related to two donors. Additionally, 43% of the Foundation's gross contributions balance was from two donors. At June 30, 2022, 97% of the Foundation's gross pledges and grants receivable balance was related to three donors and 62% of the Foundation's gross contributions balance was from one donor.

NOTE 14 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 \$2,247,045 and \$2,206,847 at June 30, 2023 and 2022, respectively.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 14 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 is 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 15 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 2022 and 2023.

HEADWATERS FOUNDATION FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15 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:

	2023	2022
Financial Assets at Year-End:		
Cash	\$ 4,576,320	\$ 8,875,265
Pledges and Grants Receivable, Net	5,105,132	14,017,679
Other Receivables	2,490	-
Investments	7,406,219	3,243,012
Interest in Net Assets of MPLS Foundation	1,124,340	1,103,673
Total Financial Assets at Year-End	18,214,501	27,239,629
 Amount Expected to be Appropriated for Expenditure	 160,000	 160,000
 Less Amounts Not Available to be Used Within One Year:		
Cash and Equivalents	723,137	1,266,252
Endowment Investments	5,120,964	4,856,685
Net Assets With Donor Restrictions Subject to Expenditures for Specified Purpose or Passage of Time	6,857,268	17,234,141
Less: Net Assets With Restrictions to be Met over the Next Twelve Months:		
Purpose	(64,188)	(1,304,188)
Time	(3,778,080)	(3,729,954)
Total	8,859,101	18,322,936
 Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	 \$ 9,515,400	 \$ 9,076,693

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 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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