

NONPROFITS ASSISTANCE FUND
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013

**NONPROFITS ASSISTANCE FUND
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YEARS ENDED MARCH 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nonprofits Assistance Fund
Minneapolis, Minnesota

We have audited the accompanying financial statements of Nonprofits Assistance Fund (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofits Assistance Fund as of March 31, 2014 and 2013, 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.

Other Matters – Supplementary Information

Our audit as of and for the year ended March 31, 2014 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of financial position by fund and activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 4, 2014

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013**

	March 31, 2014			March 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,045,410	\$ 226,815	\$ 2,272,225	\$ 4,341,475	\$ 1,200,624	\$ 5,542,099
Certificates of Deposit	-	50,000	50,000	1,800,000	200,000	2,000,000
Accounts and Grants Receivable	31,655	100,000	131,655	24,248	62,500	86,748
Loans Receivable, Net of Allowance of \$638,610 in 2014 and \$581,960 in 2013	4,807,526	-	4,807,526	4,942,240	-	4,942,240
Loan Interest Receivable	45,942	-	45,942	74,044	-	74,044
Prepays	16,740	-	16,740	28,077	-	28,077
Total Current Assets	<u>6,947,273</u>	<u>376,815</u>	<u>7,324,088</u>	<u>11,210,084</u>	<u>1,463,124</u>	<u>12,673,208</u>
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of \$577,562 in 2014 and \$365,423 in 2013	9,761,887	-	9,761,887	4,978,841	-	4,978,841
Certificates of Deposit	1,079,225	150,000	1,229,225	726,743	-	726,743
Equipment, Net of Depreciation	96,569	-	96,569	88,852	-	88,852
Total Noncurrent Assets	<u>10,937,681</u>	<u>150,000</u>	<u>11,087,681</u>	<u>5,794,436</u>	<u>-</u>	<u>5,794,436</u>
 Total Assets	 <u>\$ 17,884,954</u>	 <u>\$ 526,815</u>	 <u>\$ 18,411,769</u>	 <u>\$ 17,004,520</u>	 <u>\$ 1,463,124</u>	 <u>\$ 18,467,644</u>

See accompanying Notes to Financial Statements.

NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2014 AND 2013

	March 31, 2014			March 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Notes Payable	\$ 1,877,714	\$ -	\$ 1,877,714	\$ 521,960	\$ -	\$ 521,960
Accounts Payable and Accrued Expenses	178,818	-	178,818	142,927	-	142,927
Current Portion of Capital Lease Obligation	1,963	-	1,963	1,385	-	1,385
Interest Payable	21,496	-	21,496	22,717	-	22,717
Deferred Revenue	9,968	-	9,968	6,588	-	6,588
Total Current Liabilities	<u>2,089,959</u>	<u>-</u>	<u>2,089,959</u>	<u>695,577</u>	<u>-</u>	<u>695,577</u>
LONG TERM LIABILITIES						
Notes Payable, Net of Current Maturities	8,538,762	-	8,538,762	9,516,488	-	9,516,488
Capital Lease Obligation, Net of Current Portion	7,580	-	7,580	-	-	-
Total Long-Term Liabilities	<u>8,546,342</u>	<u>-</u>	<u>8,546,342</u>	<u>9,516,488</u>	<u>-</u>	<u>9,516,488</u>
 Total Liabilities	 10,636,301	 -	 10,636,301	 10,212,065	 -	 10,212,065
NET ASSETS						
Unrestricted Net Assets:						
Undesignated	5,248,653	-	5,248,653	4,792,455	-	4,792,455
Designated for Lending	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Total Unrestricted Net Assets	<u>7,248,653</u>	<u>-</u>	<u>7,248,653</u>	<u>6,792,455</u>	<u>-</u>	<u>6,792,455</u>
Temporarily Restricted Net Assets	-	526,815	526,815	-	1,463,124	1,463,124
Total Net Assets	<u>7,248,653</u>	<u>526,815</u>	<u>7,775,468</u>	<u>6,792,455</u>	<u>1,463,124</u>	<u>8,255,579</u>
 Total Liabilities and Net Assets	 <u>\$ 17,884,954</u>	 <u>\$ 526,815</u>	 <u>\$ 18,411,769</u>	 <u>\$ 17,004,520</u>	 <u>\$ 1,463,124</u>	 <u>\$ 18,467,644</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2014 AND 2013**

	Year Ended March 31, 2014			Year Ended March 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Gifts and Grants	\$ 20,540	\$ 232,147	\$ 252,687	\$ 139,866	\$ 2,173,806	\$ 2,313,672
Loan Interest Income	764,214	-	764,214	772,550	-	772,550
Loan Fee Revenue	93,409	-	93,409	63,928	-	63,928
Program Revenue	121,411	-	121,411	128,612	-	128,612
Investment Income	23,960	-	23,960	27,025	-	27,025
Net Assets Released from Restrictions	1,168,456	(1,168,456)	-	1,188,177	(1,188,177)	-
Total Revenues	2,191,990	(936,309)	1,255,681	2,320,158	985,629	3,305,787
EXPENSES						
Program Service:						
Program Expenses	991,708	-	991,708	838,691	-	838,691
Interest Expense	253,606	-	253,606	260,629	-	260,629
Provision for Loan Loss Reserve	268,789	-	268,789	131,250	-	131,250
Management and General	211,484	-	211,484	188,833	-	188,833
Fundraising	10,205	-	10,205	16,862	-	16,862
Total Expenses	1,735,792	-	1,735,792	1,436,265	-	1,436,265
CHANGE IN NET ASSETS	456,198	(936,309)	(480,111)	883,893	985,629	1,869,522
Net Assets - Beginning of Year	6,792,455	1,463,124	8,255,579	5,908,562	477,495	6,386,057
NET ASSETS - END OF YEAR	<u>\$ 7,248,653</u>	<u>\$ 526,815</u>	<u>\$ 7,775,468</u>	<u>\$ 6,792,455</u>	<u>\$ 1,463,124</u>	<u>\$ 8,255,579</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (480,111)	\$ 1,869,522
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	40,138	28,507
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	(44,907)	(60,862)
Loan Interest Receivable	28,102	(7,580)
Prepays	11,337	(11,100)
Accounts Payable and Accrued Expenses	35,891	2,002
Interest Payable	(1,221)	(12,715)
Deferred Revenue	3,380	(8,737)
Net Cash Provided (Used) by Operating Activities	(407,391)	1,799,037
 CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principal Advanced	(14,536,952)	(12,720,358)
Loan Receivable Repayments	9,619,831	13,876,089
Increase in Allowance for Uncollectable Loans Receivable	268,789	131,231
Purchase of Equipment	(37,513)	(40,155)
Net Change in Certificates of Deposit	1,447,518	(999,057)
Net Cash Provided (Used) by Investing Activities	(3,238,327)	247,750
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	800,000	5,924,631
Principal Payments on Notes Payable	(421,972)	(6,062,021)
Principal Payments on Capital Lease Obligation	(2,184)	(2,581)
Net Cash Provided (Used) by Financing Activities	375,844	(139,971)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,269,874)	1,906,816
Cash and Cash Equivalents - Beginning of Year	5,542,099	3,635,283
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,272,225	\$ 5,542,099
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	\$ 254,827	\$ 272,234
Equipment Acquired Through Capital Lease	\$ 10,342	\$ -

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nonprofits Assistance Fund (NAF) is a nonprofit organization incorporated in the State of Minnesota, created as a Type I supporting organization of The Minneapolis Foundation (TMF) on October 1, 1998.

NAF's mission is to strengthen the community by investing capital and expertise in nonprofits. We serve nonprofits in Minnesota and neighboring states. NAF's programs are as follows:

Program and Operations – As a Community Development Financial Institution (CDFI) certified by the US Department of the Treasury, NAF makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, and make capital improvements. Our programs are designed to provide financial management assistance to our loan clients and to other nonprofits. Customized technical assistance helps organizations understand their financial situation, identify priorities, and develop a plan of action for the near and long-term future. Technical assistance and consulting services include a wide range of diagnostic and mentoring discussions with staff and board leaders. These projects help nonprofits identify, analyze, and adapt their business model and develop plans to tie their mission and goals to strategies that grow capacity and strengthen sustainability. Our education and training program provides workshops on topics related to financial management and leadership for directors, board members, and staff and volunteers. Through our knowledge sharing activities, we develop and distribute articles, guidance, templates, and analysis on topics relevant for nonprofits for managing and planning financial practices, plans, and strategy.

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at our disposal to meet those lending needs. Loans made to nonprofits range from \$20,000 to \$1,000,000, and loan clients are organizations of all sizes and stages of development.

Tax Exempt Status

NAF is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code. It has been classified as a public charity that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. NAF is also exempt from state income taxes.

NAF evaluated its tax positions and determined that it has no uncertain tax positions as of March 31, 2014 and 2013. As of March 31, 2014, NAF's tax returns are open to examinations for the years ending March 31, 2011 through 2013.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of NAF and changes therein are classified and reported as:

Unrestricted – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions that will be satisfied by action of NAF or by the passage of time.

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

NAF has elected to present temporarily restricted contributions that are fulfilled in the same period within the unrestricted net assets class. NAF has no permanently restricted net assets as of March 31, 2014 and 2013.

Basis of Accounting

The accompanying financial statements of NAF are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

NAF classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents. NAF maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value due to the short-term nature of the certificates.

Accounts and Grants Receivable

Accounts receivable are stated at net realizable value. Management believes all accounts receivable are collectible at March 31, 2014 and 2013. Accordingly, no allowance for doubtful accounts has been recorded.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

The loans receivable consist of notes with interest rates ranging from 2.0% to 8.0% with maturities through 2023. The board of directors has adopted a loan loss reserve policy. A loan loss reserve is maintained that is considered adequate to absorb losses inherent in the loan portfolio. NAF provides an allowance for uncollectible loans using the allowance method as well as a specific identification method. Interest income is not accrued on loans that are considered to be non-performing. Various loans are secured by business assets.

Gifts and Grants

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are fulfilled in the same time period as the contribution is received, NAF presents such contributions in the unrestricted net assets class.

Notes Payable with Below-Market Interest Rates

After evaluation, it was determined that there is no material difference between prevailing community development finance market rates and the stated rate of any loans, notes payable, or other liabilities in NAF's portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2014 and 2013.

Equipment

All major expenditures \$500 or more for equipment are capitalized at cost. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expense

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Rents are allocated based on direct program or support service usage. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Fair Value Measurements

NAF categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with accounting standards. NAF does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis.

Subsequent Events

In preparing these financial statements, NAF has evaluated events and transactions for potential recognition or disclosure through June 4, 2014, the date the financial statements were available to be issued.

NOTE 2 LOANS RECEIVABLE

Anticipated principal payments on loans receivable as of March 31, 2014 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2015, Net of Allowance of \$638,610	\$ 4,807,526
2016 through 2019, Net of Allowance of \$577,561	7,806,992
Thereafter	1,954,895
Total	<u>\$ 14,569,413</u>

NAF has the following commitments as of March 31, 2014:

Available Letters of Credit, with Maturities through January 2015	\$ 49,763
Available Lines of Credit, with Maturities through March 2016	3,813,728
Loans Closed but Not Fully Disbursed as of Year-End	85,158
Total Commitments	<u>\$ 3,948,649</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Loans receivable at March 31, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Working Capital / Business	\$ 4,203,972	\$ 4,333,201
Community Facilities	10,862,031	5,651,842
Affordable Housing	719,581	883,421
	<u>15,785,584</u>	<u>10,868,464</u>
Allowance for Loan Losses	<u>(1,216,171)</u>	<u>(947,383)</u>
Loans Receivable, Net	<u>\$ 14,569,413</u>	<u>\$ 9,921,081</u>

Working capital / business loan credit is extended to nonprofit organizations for program expansion, short-term bridge loans, cash flow stabilization, and funding growth. These loans are often secured with business assets such as grants receivable or program revenue receivables, sometimes with other business assets such as liens on facilities, but may in some short-term situations be made on an unsecured basis.

Community facilities loan credit is generally extended to nonprofit organizations for building purchase, building repair, or renovation. Most of these loans are secured with first or second position mortgage liens.

Affordable housing loan credit is extended to nonprofit organizations specifically for the acquisition, construction, and/or renovation of single family or multi-family residences. Most of these loans are secured with mortgage liens or other business assets.

The following tables present the aging of past due loans by loan segment as of March 31, 2014 and 2013:

	<u>Current</u>	<u>31-60 Days Past Due</u>	<u>61-90 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total</u>	<u>Nonaccruing Loans</u>
<u>As of March 31, 2014</u>						
Working Capital / Business	\$ 3,864,143	\$ 75,000	\$ -	\$ 264,829	\$ 4,203,972	\$ 264,829
Community Facilities	10,157,851	-	-	704,180	10,862,031	704,180
Affordable Housing	719,581	-	-	-	719,581	-
	<u>\$ 14,741,575</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 969,009</u>	<u>\$ 15,785,584</u>	<u>\$ 969,009</u>
<u>As of March 31, 2013</u>						
Working Capital / Business	\$ 3,949,333	\$ 141,749	\$ -	\$ 242,119	\$ 4,333,201	\$ -
Community Facilities	5,651,842	-	-	-	5,651,842	-
Affordable Housing	883,421	-	-	-	883,421	-
	<u>\$ 10,484,596</u>	<u>\$ 141,749</u>	<u>\$ -</u>	<u>\$ 242,119</u>	<u>\$ 10,868,464</u>	<u>\$ -</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

NAF uses an internal risk rating system to monitor the credit quality of its loan portfolio. At the time of loan approval, each loan is assigned an initial risk classification. Classifications are reviewed at least quarterly during the term of the loan and at any time there is a significant change, positive or negative, in the borrower's operations.

Loan credit quality is rated using letter designations from A to G, with A being the highest quality rating and G being the lowest. Each category is differentiated based on evaluation of financial measures, management and governance, collateral, payment history, and likelihood of full repayment. For reporting purposes in the following tables, ratings A, B, and C are grouped as Pass. Loans rated D are considered Watch. Loans with quality ratings of E and F are considered Substandard. Loans rated G are listed as Doubtful.

<u>As of March 31, 2014</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital / Business	\$ 3,599,517	\$ 207,848	\$ 271,607	\$ 125,000	\$ 4,203,972
Community Facilities	9,857,782	158,624	845,625	-	10,862,031
Affordable Housing	719,581	-	-	-	719,581
	<u>\$ 14,176,880</u>	<u>\$ 366,472</u>	<u>\$ 1,117,232</u>	<u>\$ 125,000</u>	<u>\$ 15,785,584</u>
Current	\$ 14,101,880	\$ 366,472	\$ 273,223	\$ -	\$ 14,741,575
Past Due 31-60 Days	75,000	-	-	-	75,000
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	844,009	125,000	969,009
	<u>\$ 14,176,880</u>	<u>\$ 366,472</u>	<u>\$ 1,117,232</u>	<u>\$ 125,000</u>	<u>\$ 15,785,584</u>
<u>As of March 31, 2013</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital / Business	\$ 3,403,876	\$ 538,323	\$ 391,002	\$ -	\$ 4,333,201
Community Facilities	4,615,243	890,322	146,277	-	5,651,842
Affordable Housing	883,421	-	-	-	883,421
	<u>\$ 8,902,540</u>	<u>\$ 1,428,645</u>	<u>\$ 537,279</u>	<u>\$ -</u>	<u>\$ 10,868,464</u>
Current	\$ 8,760,791	\$ 1,428,645	\$ 295,160	\$ -	\$ 10,484,596
Past Due 31-60 Days	141,749	-	-	-	141,749
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	242,119	-	242,119
	<u>\$ 8,902,540</u>	<u>\$ 1,428,645</u>	<u>\$ 537,279</u>	<u>\$ -</u>	<u>\$ 10,868,464</u>

Allowance for loan losses: The allowance for loan losses (loan loss reserve) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the loan loss reserve when management confirms that the principal will not be collected. Subsequent recoveries, if any, are credited to the allowance.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Activity in the loan loss reserve for the years ended March 31, 2014 and 2013 was as follows:

<u>March 31, 2014</u>	<u>Working Capital Business</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 464,569	\$ 445,648	\$ 37,165	\$ 947,382
Charge Offs	-	-	-	-
Recoveries	-	-	-	-
Provisions	285,885	(3,749)	(13,347)	268,789
Ending Balance	<u>\$ 750,454</u>	<u>\$ 441,899</u>	<u>\$ 23,818</u>	<u>\$ 1,216,171</u>
<i>Allowance for Loan Losses</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 195,227	\$ 310,690	\$ -	\$ 505,917
Ending Balance: Collectively Evaluated for Impairment	555,227	131,209	23,818	710,254
	<u>\$ 750,454</u>	<u>\$ 441,899</u>	<u>\$ 23,818</u>	<u>\$ 1,216,171</u>
<i>Financing Receivables</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 396,607	\$ 845,625	\$ -	\$ 1,242,232
Ending Balance: Collectively Evaluated for Impairment	3,807,365	10,016,406	719,581	14,543,352
	<u>\$ 4,203,972</u>	<u>\$ 10,862,031</u>	<u>\$ 719,581</u>	<u>\$ 15,785,584</u>
<u>March 31, 2013</u>	<u>Working Capital Business</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 500,959	\$ 237,302	\$ 77,890	\$ 816,151
Charge Offs	(19)	-	-	(19)
Recoveries	-	-	-	-
Provisions	(36,371)	208,346	(40,725)	131,250
Ending Balance	<u>\$ 464,569</u>	<u>\$ 445,648</u>	<u>\$ 37,165</u>	<u>\$ 947,382</u>
<i>Allowance for Loan Losses</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 92,267	\$ 36,569	\$ -	\$ 128,836
Ending Balance: Collectively Evaluated for Impairment	372,302	409,079	37,165	818,546
	<u>\$ 464,569</u>	<u>\$ 445,648</u>	<u>\$ 37,165</u>	<u>\$ 947,382</u>
<i>Financing Receivables</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 391,002	\$ 146,277	\$ -	\$ 537,279
Ending Balance: Collectively Evaluated for Impairment	3,942,199	5,505,565	883,421	10,331,185
	<u>\$ 4,333,201</u>	<u>\$ 5,651,842</u>	<u>\$ 883,421</u>	<u>\$ 10,868,464</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 3 NOTES PAYABLE

Notes payable consist of loans with stated interest from 1.50% to 4.00%, maturing through 2024. Principal payments on notes payable are as follows:

<u>Year Ending March 31.</u>	<u>Amount</u>
2015	\$ 1,877,714
2016	225,834
2017	1,950,000
2018	1,068,500
2019	2,000,000
Thereafter	<u>3,294,428</u>
Total	<u>\$ 10,416,476</u>

Certain note agreements require compliance with various financial covenants and require audited financial statements.

NOTE 4 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL

NAF has various revolving lines of credit and other sources of capital not yet drawn that are available for lending to nonprofit organizations. Stated interest rates for these lines range from 0.30% to LIBOR plus 3.95%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2014 and 2013.

<u>Lines of Credit</u>	<u>Amount</u>
GE Capital Retail Bank	\$ 500,000
The Minneapolis Foundation (TMF)	2,000,000
Minnesota Bank & Trust	750,000
Private Bank	100,000
Total Lines of Credit	<u>\$ 3,350,000</u>

NOTE 5 RELATED-PARTY TRANSACTIONS

NAF incurred expenses to TMF for NAF staff salaries and benefits, along with certain TMF human resources services, under an employer-services agreement. NAF incurred such expenses of \$879,774 and \$776,098 during the years ended March 31, 2014 and 2013, respectively. NAF owed TMF \$99,956 and \$68,147, respectively, at year-end for these salaries, benefits, and services.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 6 RETIREMENT PLAN

After completing at least one year of service, regular full-time employees and part-time employees working at least 20 hours per week are eligible to participate in a Simplified Employee Pension Plan (SEP). Sponsored by TMF, the Plan provides for annual discretionary contributions to eligible employees' SEP-IRA accounts. Retirement plan expense was \$40,584 and \$36,490 for the years ended March 31, 2014 and 2013, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of March 31:

	<u>2014</u>	<u>2013</u>
Restricted for Specific Purposes	\$ 526,815	\$ 1,450,624
Restricted for Use Due to Time	-	12,500
Total	<u>\$ 526,815</u>	<u>\$ 1,463,124</u>

Net assets were released during the years ended March 31, for the following purposes:

	<u>2014</u>	<u>2013</u>
Program Release	\$ 1,155,956	\$ 1,188,177
Time Release	12,500	-
Total	<u>\$ 1,168,456</u>	<u>\$ 1,188,177</u>

NOTE 8 LEASE OBLIGATION

On March 1, 2010, NAF entered into an 84-month operating lease agreement for office space. Computed on a straight-line basis, rent expense was \$47,907 for each of the years ended March 31, 2014 and 2013. In October 2013, NAF entered into a 60-month capital lease agreement for a copier/printer, recording \$10,342 as a capital asset. This replaces a previous copier lease that matured in September 2013. As of March 31, 2014 and 2013, accumulated depreciation on the previous copier/printer was \$9,294 and \$7,910, respectively. As of March 31, 2014 and 2013, accumulated depreciation on the new copier/printer was \$799 and \$0, respectively. NAF also leases other office equipment under an operating lease, which was renewed in 2013. Total equipment lease expense was \$335 and \$335 for the years ended March 31, 2014 and 2013, respectively.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 8 LEASE OBLIGATION (CONTINUED)

Future minimum lease payments under all leases as of March 31, 2014 are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Other</u>	<u>Total</u>
2015	\$ 49,495	\$ 2,244	\$ 335	\$ 52,074
2016	51,322	2,244	196	53,762
2017	48,581	2,244	-	50,825
2018	-	2,244	-	2,244
2019	-	1,309	-	1,309
Future Minimum Payments	149,398	10,285	531	160,214
Less: Interest	-	(742)	-	(742)
Present Value of Future Minimum Payments	<u>\$ 149,398</u>	<u>\$ 9,543</u>	<u>\$ 531</u>	<u>\$ 159,472</u>

NOTE 9 SUBSEQUENT EVENT

On April 30, 2014, after the close of the 2014 fiscal year, NAF received a deed for property in lieu of foreclosure from a borrower. The property received in lieu of foreclosure was collateral for two loans to a single nonprofit organization. NAF held first lien position on the collateral. As of the acquisition date, NAF will hold the property for sale and will initially record the fair value less estimated costs of sale. Given the timing of the acquisition, NAF is assessing the market value of the property at the time of the issue of these financial statements. As of March 31, 2014, NAF had adequately provisioned for loan loss reserves to cover any potential difference between the fair market value of the acquired property and the outstanding principal balance of the loans recorded in the financial statements.

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2014**

	Unrestricted			Temporarily Restricted			Total
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 458,059	\$ 1,587,351	\$ 2,045,410	\$ 51,815	\$ 175,000	\$ 226,815	\$ 2,272,225
Certificates of Deposit	-	-	-	-	50,000	50,000	50,000
Accounts and Grants Receivable	31,655	-	31,655	100,000	-	100,000	131,655
Loans Receivable, Net of Allowance of \$638,610	-	4,807,526	4,807,526	-	-	-	4,807,526
Loan Interest Receivable	45,942	-	45,942	-	-	-	45,942
Prepays	16,740	-	16,740	-	-	-	16,740
Total Current Assets	552,396	6,394,877	6,947,273	151,815	225,000	376,815	7,324,088
NONCURRENT ASSETS							
Loans Receivable, Net of Allowance of \$577,561	-	9,761,887	9,761,887	-	-	-	9,761,887
Certificates of Deposit	492,686	586,539	1,079,225	-	150,000	150,000	1,229,225
Equipment, Net of Depreciation	96,569	-	96,569	-	-	-	96,569
Total Noncurrent Assets	589,255	10,348,426	10,937,681	-	150,000	150,000	11,087,681
Total Assets	\$ 1,141,651	\$ 16,743,303	\$ 17,884,954	\$ 151,815	\$ 375,000	\$ 526,815	\$ 18,411,769

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2014**

	Unrestricted			Temporarily Restricted			
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	Total
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Portion of Notes Payable	\$ -	\$ 1,877,714	\$ 1,877,714	\$ -	\$ -	\$ -	\$ 1,877,714
Accounts Payable and Accrued Expenses	170,758	8,060	178,818	-	-	-	178,818
Current Portion of Capital Lease Obligation	1,963	-	1,963	-	-	-	1,963
Interest Payable	21,496	-	21,496	-	-	-	21,496
Deferred Revenue	9,968	-	9,968	-	-	-	9,968
Total Current Liabilities	204,185	1,885,774	2,089,959	-	-	-	2,089,959
LONG TERM LIABILITIES							
Notes Payable, Net of Current Maturities	-	8,538,762	8,538,762	-	-	-	8,538,762
Capital Lease Obligations (Net of Current Portion)	7,580	-	7,580	-	-	-	7,580
Total Long-Term Liabilities	7,580	8,538,762	8,546,342	-	-	-	8,546,342
Total Liabilities	211,765	10,424,536	10,636,301	-	-	-	10,636,301
NET ASSETS							
Unrestricted Net Assets:							
Undesignated	929,886	4,318,767	5,248,653	-	-	-	5,248,653
Designated for Lending	-	2,000,000	2,000,000	-	-	-	2,000,000
Total Unrestricted Net Assets	929,886	6,318,767	7,248,653	-	-	-	7,248,653
Temporarily Restricted Net Assets	-	-	-	151,815	375,000	526,815	526,815
Total Net Assets	929,886	6,318,767	7,248,653	151,815	375,000	526,815	7,775,468
Total Liabilities and Net Assets	\$ 1,141,651	\$ 16,743,303	\$ 17,884,954	\$ 151,815	\$ 375,000	\$ 526,815	\$ 18,411,769

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2014**

	Unrestricted			Temporarily Restricted			
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	Total
REVENUES							
Gifts and Grants	\$ 20,540	\$ -	\$ 20,540	\$ 232,147	\$ -	\$ 232,147	\$ 252,687
Loan Interest Income	764,214	-	764,214	-	-	-	764,214
Loan Fee Revenue	93,409	-	93,409	-	-	-	93,409
Program Revenue	121,411	-	121,411	-	-	-	121,411
Investment Income	23,960	-	23,960	-	-	-	23,960
Net Assets Released from Restrictions	241,900	926,556	1,168,456	(241,900)	(926,556)	(1,168,456)	-
Total Revenues	1,265,434	926,556	2,191,990	(9,753)	(926,556)	(936,309)	1,255,681
EXPENSES							
Program Service:							
Program Expenses	991,708	-	991,708	-	-	-	991,708
Interest Expense	253,606	-	253,606	-	-	-	253,606
Provision for Loan Loss Reserve	-	268,789	268,789	-	-	-	268,789
Management and General	211,484	-	211,484	-	-	-	211,484
Fundraising	10,205	-	10,205	-	-	-	10,205
Total Expenses	1,467,003	268,789	1,735,792	-	-	-	1,735,792
CHANGE IN NET ASSETS	(201,569)	657,767	456,198	(9,753)	(926,556)	(936,309)	(480,111)
Net Assets - Beginning of Year	1,131,455	5,661,000	6,792,455	161,568	1,301,556	1,463,124	8,255,579
NET ASSETS - END OF YEAR	\$ 929,886	\$ 6,318,767	\$ 7,248,653	\$ 151,815	\$ 375,000	\$ 526,815	\$ 7,775,468