

NONPROFITS ASSISTANCE FUND
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013 AND 2012

**NONPROFITS ASSISTANCE FUND
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YEARS ENDED MARCH 31, 2013 AND 2012**

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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, 2013 and 2012, 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, 2013 and 2012, 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 – Supplemental Information

Our audit as of and for the year ended March 31, 2013 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 6, 2013

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND 2012**

	March 31, 2013			March 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 4,341,475	\$ 1,200,624	\$ 5,542,099	\$ 3,157,788	\$ 477,495	\$ 3,635,283
Certificates of Deposit	1,800,000	200,000	2,000,000	1,077,686	-	1,077,686
Accounts and Grants Receivable	24,248	62,500	86,748	25,886	-	25,886
Loans Receivable, Net of Allowance of \$581,960 in 2013 and \$567,209 in 2012	4,942,240	-	4,942,240	5,240,820	-	5,240,820
Loan Interest Receivable	74,044	-	74,044	66,464	-	66,464
Prepays	28,077	-	28,077	16,977	-	16,977
Total Current Assets	11,210,084	1,463,124	12,673,208	9,585,621	477,495	10,063,116
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of \$365,423 in 2013 and \$248,942 in 2012	4,978,841	-	4,978,841	5,967,224	-	5,967,224
Certificates of Deposit	726,743	-	726,743	650,000	-	650,000
Equipment, Net of Depreciation	88,852	-	88,852	77,204	-	77,204
Total Noncurrent Assets	5,794,436	-	5,794,436	6,694,428	-	6,694,428
Total Assets	\$ 17,004,520	\$ 1,463,124	\$ 18,467,644	\$ 16,280,049	\$ 477,495	\$ 16,757,544

See accompanying Notes to Financial Statements.

NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2013 AND 2012

	March 31, 2013			March 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Notes Payable	\$ 521,960	\$ -	\$ 521,960	\$ 694,143	\$ -	\$ 694,143
Accounts Payable and Accrued Expenses	142,927	-	142,927	140,925	-	140,925
Current Portion of Capital Lease Obligation	1,385	-	1,385	2,581	-	2,581
Interest Payable	22,717	-	22,717	35,432	-	35,432
Deferred Revenue	6,588	-	6,588	15,325	-	15,325
Total Current Liabilities	<u>695,577</u>	<u>-</u>	<u>695,577</u>	<u>888,406</u>	<u>-</u>	<u>888,406</u>
LONG TERM LIABILITIES						
Notes Payable, Net of Current Maturities	9,516,488	-	9,516,488	9,481,696	-	9,481,696
Capital Lease Obligation, Net of Current Portion	-	-	-	1,385	-	1,385
Total Long-Term Liabilities	<u>9,516,488</u>	<u>-</u>	<u>9,516,488</u>	<u>9,483,081</u>	<u>-</u>	<u>9,483,081</u>
Total Liabilities	10,212,065	-	10,212,065	10,371,487	-	10,371,487
NET ASSETS						
Unrestricted Net Assets:						
Undesignated	4,792,455	-	4,792,455	3,908,562	-	3,908,562
Designated for Lending	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Total Unrestricted Net Assets	<u>6,792,455</u>	<u>-</u>	<u>6,792,455</u>	<u>5,908,562</u>	<u>-</u>	<u>5,908,562</u>
Temporarily Restricted Net Assets	-	1,463,124	1,463,124	-	477,495	477,495
Total Net Assets	<u>6,792,455</u>	<u>1,463,124</u>	<u>8,255,579</u>	<u>5,908,562</u>	<u>477,495</u>	<u>6,386,057</u>
Total Liabilities and Net Assets	<u>\$ 17,004,520</u>	<u>\$ 1,463,124</u>	<u>\$ 18,467,644</u>	<u>\$ 16,280,049</u>	<u>\$ 477,495</u>	<u>\$ 16,757,544</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS ACTIVITIES
YEARS ENDED MARCH 31, 2013 AND 2012**

	Year Ended March 31, 2013			Year Ended March 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Gifts and Grants	\$ 139,866	\$ 2,173,806	\$ 2,313,672	\$ 2,146	\$ 1,620,000	\$ 1,622,146
Loan Interest Income	772,550	-	772,550	795,020	-	795,020
Loan Fee Revenue	63,928	-	63,928	116,893	-	116,893
Program Revenue	128,612	-	128,612	69,946	-	69,946
Investment Income	27,025	-	27,025	21,252	-	21,252
Other Income	-	-	-	10	-	10
Net Assets Released from Restrictions	1,188,177	(1,188,177)	-	1,448,576	(1,448,576)	-
Total Revenues	<u>2,320,158</u>	<u>985,629</u>	<u>3,305,787</u>	<u>2,453,843</u>	<u>171,424</u>	<u>2,625,267</u>
EXPENSES						
Program Service:						
Program Expenses	838,691	-	838,691	835,209	-	835,209
Interest Expense	260,629	-	260,629	299,225	-	299,225
Provision for Loan Loss Reserve	131,250	-	131,250	352,000	-	352,000
Management and General	188,833	-	188,833	175,099	-	175,099
Fundraising	16,862	-	16,862	15,152	-	15,152
Total Expenses	<u>1,436,265</u>	<u>-</u>	<u>1,436,265</u>	<u>1,676,685</u>	<u>-</u>	<u>1,676,685</u>
CHANGE IN NET ASSETS	883,893	985,629	1,869,522	777,158	171,424	948,582
Net Assets - Beginning of Year	<u>5,908,562</u>	<u>477,495</u>	<u>6,386,057</u>	<u>5,131,404</u>	<u>306,071</u>	<u>5,437,475</u>
NET ASSETS - END OF YEAR	<u>\$ 6,792,455</u>	<u>\$ 1,463,124</u>	<u>\$ 8,255,579</u>	<u>\$ 5,908,562</u>	<u>\$ 477,495</u>	<u>\$ 6,386,057</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,869,522	\$ 948,582
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	28,507	22,969
Net Change in the Discount on Notes Payable with Below-Market Interest Rates	-	44,192
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	(60,862)	67,519
Loan Interest Receivable	(7,580)	(9,318)
Prepays	(11,100)	(12,839)
Accounts Payable and Accrued Expenses	2,002	13,844
Interest Payable	(12,715)	(7,962)
Deferred Revenue	(8,737)	15,325
Net Cash Provided by Operating Activities	1,799,037	1,082,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principle Advanced	(12,720,358)	(13,635,617)
Loan Receivable Repayments	13,876,089	11,551,451
Increase (Decrease) in Allowance for Uncollectable Loans Receivable	131,231	(49,693)
Purchase of Equipment	(40,155)	(53,713)
Net Change in Certificates of Deposit	(999,057)	489,961
Net Cash Provided (Used) by Investing Activities	247,750	(1,697,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	5,924,631	4,136,103
Principal Payments on Notes Payable	(6,062,021)	(3,372,138)
Principal Payments on Capital Lease Obligation	(2,581)	(2,351)
Net Cash Provided (Used) by Financing Activities	(139,971)	761,614
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,906,816	146,315
Cash and Cash Equivalents - Beginning of Year	3,635,283	3,488,968
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,542,099	\$ 3,635,283
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	\$ 272,234	\$ 262,995

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

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 build financially healthy nonprofits that foster community vitality 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 services include a wide range of diagnostic and mentoring discussions with staff and board leaders. Consulting 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, 2013 and 2012. As of March 31, 2013, NAF's tax returns are open to examinations for the years ending March 31, 2010 through 2012.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

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, 2013 and 2012.

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 Receivable

Accounts receivable are stated at net realizable value. Management believes all accounts receivable are collectible at March 31, 2013 and 2012. Accordingly, no allowance for doubtful accounts has been recorded.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

The loans receivable consist of notes with interest rates ranging from 2% to 8.5% with maturities through 2021. 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.

Contributions

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, 2013 or 2012.

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, 2013 AND 2012**

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 6, 2013, the date the financial statements were available to be issued.

NOTE 2 LOANS RECEIVABLE

Anticipated principal payments on loans receivable as of March 31, 2013 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2014, Net of Allowance of \$581,960	\$ 4,942,240
2015 through 2018, Net of Allowance of \$365,423	4,661,969
Thereafter	316,872
Total	<u>\$ 9,921,081</u>

NAF has the following commitments as of March 31, 2013:

Available Letters of Credit, with Maturities through January 2014	\$ 37,720
Available Lines of Credit, with Maturities through March 2016	1,930,905
Available Lines of Credit, Charter Schools	2,392,000
Loans Closed but Not Fully Disbursed as of Year-End	1,591,924
Total Commitments	<u>\$ 5,952,549</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Loans receivable at March 31, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Working Capital / Business	\$ 4,333,201	\$ 5,189,057
Community Facilities	5,651,842	5,997,342
Affordable Housing	883,421	837,796
	<u>10,868,464</u>	<u>12,024,195</u>
Allowance for Loan Losses	(947,383)	(816,151)
Loans Receivable, Net	<u>\$ 9,921,081</u>	<u>\$ 11,208,044</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 table presents the aging of past due loans by loan segment as of March 31, 2013 and 2012:

	<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, 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>
<u>As of March 31, 2012</u>						
Working Capital / Business	\$ 4,726,892	\$ 203,525	\$ -	\$ 258,640	\$ 5,189,057	\$ -
Community Facilities	5,997,342	-	-	-	5,997,342	-
Affordable Housing	837,796	-	-	-	837,796	-
	<u>\$ 11,562,030</u>	<u>\$ 203,525</u>	<u>\$ -</u>	<u>\$ 258,640</u>	<u>\$ 12,024,195</u>	<u>\$ -</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

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, 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>
<u>As of March 31, 2012</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital / Business	\$ 4,631,025	\$ 299,392	\$ 258,640	\$ -	\$ 5,189,057
Community Facilities	5,846,853	150,489	-	-	5,997,342
Affordable Housing	837,796	-	-	-	837,796
	<u>\$ 11,315,674</u>	<u>\$ 449,881</u>	<u>\$ 258,640</u>	<u>\$ -</u>	<u>\$ 12,024,195</u>
Current	\$ 11,249,010	\$ 313,020	\$ -	\$ -	\$ 11,562,030
Past Due 31-60 Days	66,664	136,861	-	-	203,525
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	258,640	-	258,640
	<u>\$ 11,315,674</u>	<u>\$ 449,881</u>	<u>\$ 258,640</u>	<u>\$ -</u>	<u>\$ 12,024,195</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, 2013 AND 2012**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

Activity in the loan loss reserve for the years ended March 31, 2013 and 2012 was as follows:

<u>March 31, 2013</u>	Working Capital Business	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 500,959	\$ 237,302	\$ 77,890	\$ 816,151
Charge Offs	(18)	-	-	(18)
Recoveries	-	-	-	-
Provisions	(36,371)	208,346	(40,725)	131,250
Ending Balance	<u>\$ 464,570</u>	<u>\$ 445,648</u>	<u>\$ 37,165</u>	<u>\$ 947,383</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	372,303	409,079	37,165	818,547
	<u>\$ 464,570</u>	<u>\$ 445,648</u>	<u>\$ 37,165</u>	<u>\$ 947,383</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>
<u>March 31, 2012</u>	Working Capital Business	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 623,918	\$ 180,854	\$ 61,073	\$ 865,845
Charge Offs	(401,694)	-	-	(401,694)
Recoveries	-	-	-	-
Provisions	278,735	56,448	16,817	352,000
Ending Balance	<u>\$ 500,959</u>	<u>\$ 237,302</u>	<u>\$ 77,890</u>	<u>\$ 816,151</u>
<i>Allowance for Loan Losses</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 14,520	\$ -	\$ -	\$ 14,520
Ending Balance: Collectively Evaluated for Impairment	486,439	237,302	77,890	801,631
	<u>\$ 500,959</u>	<u>\$ 237,302</u>	<u>\$ 77,890</u>	<u>\$ 816,151</u>
<i>Financing Receivables</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 258,640	\$ -	\$ -	\$ 258,640
Ending Balance: Collectively Evaluated for Impairment	4,930,417	5,997,342	837,796	11,765,555
	<u>\$ 5,189,057</u>	<u>\$ 5,997,342</u>	<u>\$ 837,796</u>	<u>\$12,024,195</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

NOTE 3 NOTES PAYABLE

Notes payable consist of loans with stated interest from 1.50% to 4.00%, maturing through 2022. Principal payments on notes payable are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2014	\$ 521,960
2015	1,777,726
2016	248,025
2017	1,014,976
2018	1,583,775
Thereafter	4,891,986
Total	<u>\$ 10,038,448</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, 2013 and 2012.

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

NOTE 5 RELATED-PARTY TRANSACTIONS

NAF reimburses TMF for salaries and benefits of its employees under an employer-services agreement. During the years ended March 31, 2013 and 2012, NAF incurred expenses of \$776,098 and \$722,214, respectively, for these services. As of March 31, 2013 and 2012, NAF owed TMF \$68,147 and \$60,228, respectively, for these services.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

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 \$36,490 and \$36,169 for the years ended March 31, 2013 and 2012, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Restricted for Specific Purposes	\$ 1,450,624	\$ 477,495
Restricted for Use Due to Time	12,500	-
Total	<u>\$ 1,463,124</u>	<u>\$ 477,495</u>

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

	2013	2012
Program Release	\$ 1,188,177	\$ 1,404,384
Time Release (Imputed Interest on Discount Notes Payable)	-	44,192
Total	<u>\$ 1,188,177</u>	<u>\$ 1,448,576</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, 2013 and 2012. On September 23, 2009, NAF entered into a 48-month capital lease agreement for a copier/printer, recording \$9,294 as a fixed asset. As of March 31, 2013 and 2012, accumulated depreciation on the copier/printer was \$7,910 and \$5,328, respectively. NAF also leases other office equipment under an operating lease, which was renewed in 2013. Total equipment lease expense was \$335 for each of the years ended March 31, 2013 and 2012.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012**

NOTE 8 LEASE OBLIGATION (CONTINUED)

Future minimum lease payments under all leases as of March 31, 2013 are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Other</u>	<u>Total</u>
2014	\$ 47,667	\$ 1,423	\$ 335	\$ 49,425
2015	49,495	-	335	49,830
2016	51,322	-	196	51,518
2017	48,581	-	-	48,581
Future Minimum Payments	<u>197,065</u>	<u>1,423</u>	<u>866</u>	<u>199,354</u>
Less: Interest	<u>-</u>	<u>(38)</u>	<u>-</u>	<u>(38)</u>
Present Value of Future Minimum Payments	<u>\$ 197,065</u>	<u>\$ 1,385</u>	<u>\$ 866</u>	<u>\$ 199,316</u>

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2013**

	Unrestricted			Temporarily Restricted			
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	Total
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 545,338	\$ 3,796,137	\$ 4,341,475	\$ 99,068	\$ 1,101,556	\$ 1,200,624	\$ 5,542,099
Certificates of Deposit	265,000	1,535,000	1,800,000	-	200,000	200,000	2,000,000
Accounts and Grants Receivable	24,248	-	24,248	62,500	-	62,500	86,748
Loans Receivable, Net of Allowance of \$581,960	-	4,942,240	4,942,240	-	-	-	4,942,240
Loan Interest Receivable	74,044	-	74,044	-	-	-	74,044
Prepays	28,077	-	28,077	-	-	-	28,077
Total Current Assets	936,707	10,273,377	11,210,084	161,568	1,301,556	1,463,124	12,673,208
NONCURRENT ASSETS							
Loans Receivable, Net of Allowance of \$365,423	-	4,978,841	4,978,841	-	-	-	4,978,841
Certificates of Deposit	277,686	449,057	726,743	-	-	-	726,743
Equipment, Net of Depreciation	88,852	-	88,852	-	-	-	88,852
Total Noncurrent Assets	366,538	5,427,898	5,794,436	-	-	-	5,794,436
Total Assets	\$ 1,303,245	\$ 15,701,275	\$ 17,004,520	\$ 161,568	\$ 1,301,556	\$ 1,463,124	\$ 18,467,644

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2013**

	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	\$ -	\$ 521,960	\$ 521,960	\$ -	\$ -	\$ -	\$ 521,960
Accounts Payable and Accrued Expenses	141,100	1,827	142,927	-	-	-	142,927
Current Portion of Capital Lease Obligation	1,385	-	1,385	-	-	-	1,385
Interest Payable	22,717	-	22,717	-	-	-	22,717
Deferred Revenue	6,588	-	6,588	-	-	-	6,588
Total Current Liabilities	171,790	523,787	695,577	-	-	-	695,577
LONG TERM LIABILITIES							
Notes Payable, Net of Current Maturities	-	9,516,488	9,516,488	-	-	-	9,516,488
Total Liabilities	171,790	10,040,275	10,212,065	-	-	-	10,212,065
NET ASSETS							
Unrestricted Net Assets:							
Undesignated	1,131,455	3,661,000	4,792,455	-	-	-	4,792,455
Designated for Lending	-	2,000,000	2,000,000	-	-	-	2,000,000
Total Unrestricted Net Assets	1,131,455	5,661,000	6,792,455	-	-	-	6,792,455
Temporarily Restricted Net Assets	-	-	-	161,568	1,301,556	1,463,124	1,463,124
Total Net Assets	1,131,455	5,661,000	6,792,455	161,568	1,301,556	1,463,124	8,255,579
Total Liabilities and Net Assets	\$ 1,303,245	\$ 15,701,275	\$ 17,004,520	\$ 161,568	\$ 1,301,556	\$ 1,463,124	\$ 18,467,644

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2013**

	Unrestricted			Temporarily Restricted			
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	Total
REVENUES							
Gifts and Grants	\$ 24,866	\$ 115,000	\$ 139,866	\$ 345,000	\$ 1,828,806	\$ 2,173,806	\$ 2,313,672
Loan Interest Income	772,550	-	772,550	-	-	-	772,550
Loan Fee Revenue	63,928	-	63,928	-	-	-	63,928
Program Revenue	128,612	-	128,612	-	-	-	128,612
Investment Income	27,025	-	27,025	-	-	-	27,025
Net Assets Released from Restrictions	260,927	927,250	1,188,177	(260,927)	(927,250)	(1,188,177)	-
Total Revenues	1,277,908	1,042,250	2,320,158	84,073	901,556	985,629	3,305,787
EXPENSES							
Program Service:							
Program Expenses	838,691	-	838,691	-	-	-	838,691
Interest Expense	260,629	-	260,629	-	-	-	260,629
Provision for Loan Loss Reserve	-	131,250	131,250	-	-	-	131,250
Management and General	188,833	-	188,833	-	-	-	188,833
Fundraising	16,862	-	16,862	-	-	-	16,862
Total Expenses	1,305,015	131,250	1,436,265	-	-	-	1,436,265
CHANGE IN NET ASSETS	(27,107)	911,000	883,893	84,073	901,556	985,629	1,869,522
Net Assets - Beginning of Year	1,158,562	4,750,000	5,908,562	77,485	400,010	477,495	6,386,057
NET ASSETS - END OF YEAR	\$ 1,131,455	\$ 5,661,000	\$ 6,792,455	\$ 161,558	\$ 1,301,566	\$ 1,463,124	\$ 8,255,579