THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED MARCH 31, 2016 AND 2015

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AND SUPPORTING ORGANIZATION
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Minneapolis Foundation
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Minneapolis Foundation (a nonprofit organization) and Supporting Organization, which comprise the consolidated statements of financial position as of March 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Minneapolis Foundation and Supporting Organization as of March 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules for the statement of financial position and consolidating schedules for the statement of activities, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 25, 2016

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	$ 13,224,448	$ 12,385,347
Interest and Dividends Receivable	870,290	938,892
Accounts and Pledges Receivable	972,374	1,365,616
Prepaids	71,089	159,316
Investments	551,181,959	577,657,083
Other Assets	2,127,096	2,163,188
Loans Receivable, Net	19,610,515	19,676,941
Notes Receivable	42,495,212	44,084,721
Beneficial Interest in Trusts	48,369,106	50,772,498
Furniture, Fixtures, Equipment, and Leasehold Improvements (Less Accumulated Depreciation of $2,682,705 and $3,078,747 as of March 31, 2016 and 2015, Respectively)	653,617	150,289
Total Assets	$ 679,575,706	$ 709,353,891
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 2,070,400	$ 1,146,452
Grants Payable	4,312,159	4,548,350
Notes Payable	12,273,346	12,246,586
Deferred Lease Credits	480,706	39,886
Amounts Due Beneficiaries	14,031,831	12,254,583
Charitable Funds Held for the Benefit of Others	26,086,289	23,429,173
Total Liabilities	59,254,731	53,665,030
NET ASSETS		
Unrestricted	519,103,657	546,461,434
Temporarily Restricted	66,742,467	73,258,731
Permanently Restricted	34,474,851	35,968,696
Total Net Assets	620,320,975	655,688,861
Total Liabilities and Net Assets	$ 679,575,706	$ 709,353,891

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Total Amount Raised	$ 52,798,735	$ 1,349,148	$ -	$ 54,147,883
Less: Amounts Received for Benefits of Others	4,967,829	-	-	4,967,829
Contributions, Net	47,830,906	1,349,148	-	49,180,054
Total Investment Income, Net of Investment Expenses	(16,791,681)	(2,142,446)	-	(18,934,127)
Less: Investment Income from Charitable Funds Held for Benefit of Others	(973,525)	-	-	(973,525)
Investment Income, Net	(15,818,156)	(2,142,446)	-	(17,960,602)
Change in Value of Trusts	-	(275,410)	(1,493,845)	(1,769,255)
Administrative Service Revenue from Agency Funds and Private Foundations	446,545	-	-	446,545
Note Receivable Interest and Other Income	3,562,208	12,098	-	3,574,306
Net Assets Released from Restrictions	5,459,654	(5,459,654)	-	-
Total Revenues, Gains and Other Support	41,481,157	(6,516,264)	(1,493,845)	33,471,048
EXPENSES				
Program Services:				
Total Grants	57,471,570	-	-	57,471,570
Less: Grants Made for Benefit of Charitable Funds Held	1,162,790	-	-	1,162,790
Grants, Net	56,308,780	-	-	56,308,780
Program Service Expense	7,657,835	-	-	7,657,835
Support Services Expense:				
Management and General Administrative	2,783,279	-	-	2,783,279
Fund Raising	2,089,040	-	-	2,089,040
Total Expenses	68,838,934	-	-	68,838,934
CHANGE IN NET ASSETS	(27,357,777)	(6,516,264)	(1,493,845)	(35,367,886)
Net Assets - Beginning of Year	546,461,434	73,258,731	35,968,696	655,688,861
NET ASSETS - END OF YEAR	$ 519,103,657	$ 66,742,467	$ 34,474,851	$ 620,320,975

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Total Amount Raised	$ 53,625,226	$ 4,603,815	$ -	$ 58,229,041
Less: Amounts Received for Benefits of Others	928,384	-	-	928,384
Contributions, Net	52,696,842	4,603,815	-	57,300,657
Total Investment Income, Net of Investment Expenses	18,006,753	1,723,007	-	19,729,760
Less: Investment Income from Charitable Funds Held for Benefit of Others	888,966	-	-	888,966
Investment Income, Net	17,117,787	1,723,007	-	18,840,794
Change in Value of Trusts	10	949,162	139,558	1,088,730
Administrative Service Revenue from Agency Funds	403,248	-	-	403,248
Note Receivable Interest and Other Income	3,467,306	-	-	3,467,306
Net Assets Released from Restrictions	3,950,077	(3,950,077)	-	-
Total Revenues, Gains and Other Support	77,635,270	3,325,907	139,558	81,100,735
EXPENSES				
Program Services:				
Total Grants	81,934,063	-	-	81,934,063
Less: Grants Made for Benefit of Charitable Funds Held	871,239	-	-	871,239
Grants, Net	81,062,824	-	-	81,062,824
Program Service Expense	5,909,973	-	-	5,909,973
Support Services Expense:				
Management and General Administrative	2,497,856	-	-	2,497,856
Fund Raising	1,870,762	-	-	1,870,762
Total Expenses	91,341,415	-	-	91,341,415
OPERATING CHANGE IN NET ASSETS	(13,706,145)	3,325,907	139,558	(10,240,680)
NONOPERATING CHANGE IN NET ASSETS				
Deconsolidation of RKMC (See Note 15)	-	(39,778,235)	-	(39,778,235)
Total Nonoperating Change in Net Assets	-	(39,778,235)	-	(39,778,235)
TOTAL CHANGE IN NET ASSETS	(13,706,145)	(36,452,328)	139,558	(50,018,915)
Net Assets - Beginning of Year	560,167,579	109,711,059	35,829,138	705,707,776
NET ASSETS - END OF YEAR	$ 546,461,434	$ 73,258,731	$ 35,968,696	$ 655,688,861

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (35,367,886)	$ (10,240,680)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Contributions and Pledge Payments of Investment Securities	17,909,621	21,801,047
Net Realized Gain on Sale of Investments	(17,035,493)	(18,553,389)
Unrealized Loss on Investments	42,397,963	7,479,555
Change in Value of Trusts	1,769,255	(1,088,730)
Contribution of Beneficial Interest in Trusts	(500,000)	(2,716,727)
Depreciation and Amortization	121,227	173,274
Change in Assets and Liabilities:		
Interest and Dividends Receivable	68,602	167,567
Accounts and Pledges Receivable	393,242	(1,206,792)
Prepaids	88,227	(131,648)
Other Assets	36,092	(485,494)
Notes Receivable	1,589,509	3,915,279
Beneficial Interest in Trusts	2,021,986	1,529,670
Accounts Payable and Accrued Liabilities	923,948	147,529
Grants Payable	(236,191)	1,497,455
Deferred Lease Credits	440,820	(74,099)
Charitable Funds Held for the Benefit of Others	3,624,316	212,370
Net Cash Used by Operating Activities	18,245,238	2,426,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(624,555)	(30,086)
Decrease (Increase) in Loans Receivable	66,426	(5,107,528)
Purchases of Securities	(202,538,026)	(68,874,546)
Proceeds from the Sale of Securities	185,835,746	69,061,929
Net Cash Provided by Investing Activities	(17,260,409)	(4,950,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Amounts Due Beneficiaries	(172,488)	-
Proceeds from Issuance of Notes Payable	1,575,834	5,295,100
Principal Payments on Notes Payable	(1,549,074)	(1,649,490)
Net Cash Provided (Used) by Financing Activities	(145,728)	3,645,610
CASH FLOWS FROM NONOPERATING ACTIVITIES		
Deconsolidation of RKMC (See Note 15)	-	(85,196)
NET INCREASE IN CASH AND CASH EQUIVALENTS	839,101	1,036,370
Cash and Cash Equivalents - Beginning of Year	12,385,347	11,348,977
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,224,448	$ 12,385,347
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Contributions and Pledge Payments of Investment Securities	$ 17,909,621	$ 21,801,047
Interest Paid During the Year	$ 363,627	$ 258,844
Real Estate Acquired in Satisfaction of Loan Receivable	$ -	$ 445,390

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements include the accounts of The Minneapolis Foundation (TMF) and Nonprofits Assistance Fund (NAF) collectively, the Foundation, both of which are separate nonprofit corporations located in the Twin Cities. NAF is a Type I supporting organization of TMF. In accordance with the Articles of Incorporation of NAF, TMF has the power to exercise sufficient control over NAF to include them in the TMF consolidated financial statements.

The Foundation provides grants and other assistance to Minnesota not-for-profit organizations, primarily in the areas of education, economic vitality, civic engagement, arts and culture, and health and the environment. All significant intercompany transactions and balances are eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Basis of Consolidation

The accompanying consolidated financial statements of the Foundation are prepared including the financial activity of two entities. The Minneapolis Foundation has control and economic relationships with one entity, Nonprofits Assistance Fund.

Nonprofits Assistance Fund was created as a supporting organization of The Minneapolis Foundation on October 1, 1998. In connection, TMF transferred certain net assets to NAF. NAF consists of several component loan and technical assistance programs that are designed to build financially healthy nonprofits that foster community vitality in Minnesota and neighboring states.

All intercompany transactions and accounts have been eliminated in the consolidated financial statements.

Net Asset Classification

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that provides accounting guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA, and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

Under the terms of the Articles of Incorporation, the board of trustees has the power to modify or eliminate any restriction, condition, limitation or trust imposed with respect to any fund or property the title of which has become vested with the corporation if, in the sole judgment of the board of trustees, such restriction, condition, limitation or trust becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable need of the community or area served by the Foundation. As a result of the ability to remove any restriction, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted for financial statement purposes.

Unrestricted net assets represent that portion of expendable funds that is available for support of the programs and operations of the Foundation.

Temporarily restricted net assets consist of irrevocable charitable trusts, lead trusts, purpose restricted contributions, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activity as net assets released from restriction.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes a long-term investment objective through diversification of asset classes. To achieve its investment objectives over long periods of time, 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 investment strategy targets a diversified asset allocation that includes, but is not limited to, domestic equities, non-US equities, fixed income, real estate and hedged equities. The majority of assets are invested in equity or equity like securities. Fixed income, real estate and hedged equities are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that approximates or exceeds 5% plus inflation over long periods of time. Actual returns in any given year may vary from this amount.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

The spending policy determines the amount of money in a given year that will be distributed from certain endowed funds of the Foundation. For the year ended March 31, 2016, this set dollar amount from the year ended March 31, 2015 was adjusted by inflation (plus 5% of any new gifts). Spending in future years will be the prior year spending, adjusted for inflation, plus 5% of any new gifts for the year. There is also a band such that spending will not exceed 6% or fall below 2% of current endowed assets). For all other endowed funds (including donor advised and designated beneficiary funds), the spending policy is 4% of a moving 12 quarter average market value plus any administrative fee charged by the Foundation. The Foundation's objective is to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Cash and Cash Equivalents

Cash equivalents include all highly liquid securities with original maturities of 90 days or less, except for those short-term investments managed as part of long-term investment strategies. At times the balance may exceed federally insured limits.

Investments

A substantial portion of the valuations included in the consolidated financial statements are provided to the Foundation by third parties and are not calculated by the Foundation. These third parties follow GAAP. In accordance with these principles, investments are carried at fair value based on quoted market prices or are recorded at approximate fair value based on financial models of hypothetical transactions. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund is accurate.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Foundation has elected to measure most investments at fair value, but does hold certain investments at cost.

The Foundation invests in a variety of investment vehicles, including limited partnerships, which may invest in corporate stocks, bonds, real estate and other investments with limited liquidity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Donated investments are initially recorded at estimated fair value at the date of donation. Realized and unrealized gains and losses are recognized in the period in which they occur.

Beneficial Interests in Trusts

Beneficial interests in trusts consist of assets held in charitable remainder trusts, beneficial interests in charitable remainder trusts, and beneficial interests in perpetual trusts.

Assets Held in Charitable Remainder Trusts – The Foundation is the beneficiary of charitable remainder trusts in which the Foundation also serves as trustee. The assets of these trusts are recorded at fair value in the consolidated statements of financial position. The related obligations to the donors or specified parties are recorded separately at the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in the net assets of the trusts are recorded as gains or losses (change in value of trusts) in the consolidated statements of activity. Net assets and changes in net assets are recorded as temporarily restricted.

Beneficial Interests in Charitable Remainder Trusts – Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the Foundation receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of the trusts are recorded as gains or losses (change in value of trusts) in the consolidated statements of activity. Net assets and changes in the net assets are recorded as temporarily restricted.

Beneficial Interest in Perpetual Trusts – The Foundation is the beneficiary of several perpetual trusts held by a third party. Under the terms of the trusts, the Foundation has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of trusts) on the consolidated statements of activity. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as unrestricted investment income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (NAF)

The loans receivable consist of notes with interest rates ranging from 2% to 8% with maturities through 2030. The Board of Directors of NAF has adopted a loan loss allowance policy. A loan loss allowance is maintained on the consolidated statements of financial position 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. Various loans are secured by business assets.

There are three categories of loans receivable as of March 31, 2016 and 2015:

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.

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 Note 4, 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. Interest income is not accrued on loans in the E, F, and G category based on collectability of the interest.

Furniture, Fixtures and Equipment, and Leasehold Improvements

Furniture, fixtures and equipment are stated at cost at the date of acquisition or fair value at the date of donation and depreciated over their estimated useful lives using the straight-line method. Items are capitalized greater than $3,000. Leasehold improvements are depreciated over the life of the improvement or the term of the lease, whichever is shorter.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

Unconditional grants are recognized as expenses in the period when approved at their fair values. Grants subject to conditions are recorded when the conditions are substantially met.

During the year, grants have been approved and disbursed to organizations in which some of the board members may be involved through board or other advisory relationships. It is the Foundation's policy to have each board member disclose the conflict of interest. These board members are prohibited from voting on grants to these organizations in those instances.

Notes Payable with Below-Market Interest Rates (NAF)

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, 2016 and 2015.

Deferred Lease Credits

In 2003, the Foundation received $925,367 for leasehold improvements for its leased office space in which the term of the lease expired on September 30, 2015. In 2016, the Foundation's landlord agreed to an additional $328,905 for leasehold improvements upon renewal of the Foundation's lease. The Foundation incurred costs in excess of this amount prior to March 31, 2016 and has therefore recognized this as a receivable. These contributions are amortized over the term of the lease. Additionally, the lease payments on the office space increase over time. The deferred rent portion related to these payments is amortized over the life of the lease. The remaining balance of contributions and deferred rent was $480,706 and $39,886 at March 31, 2016 and 2015, respectively.

Amounts Due Beneficiaries

The Foundation has entered into unitrust and annuity agreements that provide, among other matters, that the trustee shall pay to the beneficiaries an annual income payment until the income obligation is completed in accordance with the donor's trust agreement. A liability is recorded for charitable remainder trusts in which the income is distributed to designated beneficiaries during their lifetime, and trust assets are controlled by the Foundation. Upon the death of the beneficiaries, the remainder of funds transfers to the Foundation. The liability, which represents the estimated future payments to be distributed over the beneficiaries' expected lives, is recorded at the present value using the discount rate in effect at the date the trust was established. The trust assets are included in investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charitable Funds Held for the Benefit of Others

In accordance with accounting standards, if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as Agency Funds.

The Foundation maintains legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with this standard, a liability has been established for the fair market value of the funds.

Functional Allocation of Expense

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited.

Tax Exempt Status

Both of the organizations included in this financial report are tax-exempt organizations under Section 501(c)(3) of the IRC and are only subject to federal income tax on net unrelated business income. Both organizations file a separate Federal Form 990.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the consolidated financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation as a result of the implementation of this standard.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations

During the years ended March 31, 2016 and 2015, there were no significant concentrations of contributions.

As of March 31, 2016, the principal balance on two of NAF’s loans receivable from Charter Schools Development Corporation was $2,974,844 or 15% of the total loans receivable. Of this amount, $2,500,000 is fully guaranteed by Minnesota Business Partnership, which effectively mitigates any risk that might otherwise have arisen from this type of concentration.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Activities

Nonoperating activities include the deconsolidation of RKMC in the year ended March 31, 2015 (see Note 15).

Fair Value Measurement

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access (examples include actively traded equity and fixed income securities, mutual funds or commingled pools containing securities that are actively traded and priced daily).

Level 2 – Financial assets and liabilities that are not actively traded or model inputs whose values are based on quoted prices in markets that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities that because of the size of the position, no active price is quoted (examples include small pieces of corporate or asset backed bonds for which an active market may not be quoted simply because of the position size, but larger positions of the same assets are regularly quoted and traded), and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain mortgage and asset backed related securities or derivatives).

Level 3 – Financial assets and liabilities whose values are not readily observable and are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (examples include real estate, private equities, hedge funds or securities that are either in default and/or may be in a work-out situation, such as certain corporate bonds and structured investment vehicles).

- The Foundation also follows an accounting standard that allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Foundation has not elected to measure any existing financial instruments at fair value as permitted under this standard. However, the Foundation may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The Foundation owns derivative instruments in its portfolio in both an indirect and a direct way. A derivative is a contract between parties based upon an asset or assets that has its value determined by fluctuations in the underlying asset. Indirectly, the Foundation invests in derivative instruments in a number of the commingled pools it owns. The underlying portfolio managers of these pools may use derivative instruments to gain financial exposure to individual commodities or to manage currency or duration risk. The Foundation owns derivative instruments directly in a separately managed account using futures contracts to securitize cash positions present in the Foundation's portfolio. The portfolio manager will buy, on a daily basis, a notional amount of financial and/or commodity futures targeting the amount of cash in percentages that closely mirror the Foundation's asset allocation. The use of derivative instruments allows the Foundation's portfolio to be fully invested with no more risk than if the cash were actually invested in physical commodities, stocks or bonds. This is in keeping with the Foundation's Statement of Investment Objectives Policy that calls for its investment portfolio to be fully invested at all times. The use of derivative instruments for speculative purposes is expressly prohibited.

The purchase of derivative instruments to securitize cash positions involves placing a fraction of the notional amount of the derivative trade into a margin account (generally 10% to 15%) at the brokerage firm clearing the trades. While the actual purchase of the derivative instruments can be used to gain leverage, there is no leverage in the portfolio, as the cash collateral available within the fund would be available to cover any losses that would deplete the margin account.

As of March 31, 2016 and 2015, the Foundation owned 126 and 170 contracts with a notional exposure of $14,906,211 and $21,704,160, respectively. The notional exposure is included in the Foundation's investment portfolio. Gains for these futures were $214,840 and $514,552 for the years ended March 31, 2016 and 2015, respectively.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through August 25, 2016, the date the consolidated financial statements were available to be issued. Subsequent to year-end, the Foundation committed $22,000,000 in subscription agreements with three new investment funds.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to agree with the current year presentation. The reclassification had no effect on the change in unrestricted net assets or total net assets as previously reported. The reclassification related to moving cash received through donated investment securities within the cash flow statement.

NOTE 2 INVESTMENTS

Investments consist of the following at March 31:

	2016	2015
Cash	$ 49,378,551	$ 45,981,376
Large and Mid Cap Domestic Equities and Equity Futures	165,767,056	195,806,685
Small Cap Domestic Equities and Equity Futures	47,856,429	61,697,302
Non-US Equities and Equity Futures	107,894,937	95,070,823
Domestic Fixed Income Obligations and Fixed Income Futures	40,559,115	38,665,972
High Yield Fixed Income Obligations and Fixed Income Futures	15,555,363	15,789,279
Global Fixed Income Obligations and Fixed Income Futures	23,698,898	23,417,524
Real Estate	25,466,738	31,515,619
Long/Short Hedge Funds	13,228,929	10,052,467
Multi-Strategy Hedge Funds	30,394,760	31,137,123
Commodities	10,557,440	13,540,819
Private Equity and Venture Capital	20,823,743	14,982,094
Total Investments	$ 551,181,959	$ 577,657,083

The Foundation's investments include certain alternative assets, held in partnerships and commingled pools, for which value is not determinable on a daily basis. These investments are classified based on their nature of the underlying investments.

Investment income consisted of the following for the years ended March 31:

	2016	2015
Interest and Dividend Income	$ 9,883,616	$ 10,164,175
Realized Gains on Investments	17,035,493	18,553,389
Unrealized Losses on Investments	(42,397,963)	(7,479,555)
Investment Expenses	(2,481,748)	(2,397,215)
Total	$ (17,960,602)	$ 18,840,794

NOTE 3 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of March 31, 2016 are:

	Level 1	Level 2	Level 3	Total
Investments:				
Large and Mid Cap Domestic Equities and Equity Futures	$ 150,959,724	$ 5,130,336	$ -	$ 156,090,060
Small Cap Domestic Equities and Equity Futures	47,856,429	-	-	47,856,429
Non-US Equities and Equity Futures	26,496,323	-	-	26,496,323
Domestic Fixed Income Obligations and Fixed Income Futures	40,559,115	-	-	40,559,115
High Yield Fixed Income Obligations and Fixed Income Futures	2,895,896	-	-	2,895,896
Global Fixed Income Obligations and Fixed Income Futures	1,880,889	-	-	1,880,889
Real Estate	13,553,867	-	-	13,553,867
Long/Short Hedge Funds	1,338,071	-	-	1,338,071
Multi-Strategy Hedge Funds	871,090	-	-	871,090
Commodities	1,855,493	-	-	1,855,493
Total Investments at Fair Value	288,266,897	5,130,336	-	293,397,233
Cash and Cash Equivalents	-	-	-	49,378,551
Investments Measured at Net Asset Value or its Equivalent	-	-	-	206,062,284
Investments Recorded at Cost	-	-	-	2,343,891
Total Investments	-	5,130,336	-	551,181,959
Beneficial Interest in Trusts	-	-	48,369,106	48,369,106
Total	$ 288,266,897	$ 10,260,672	$ 48,369,106	$ 599,551,065

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis as of March 31, 2015 are:

	Level 1	Level 2	Level 3	Total
Investments:				
Large and Mid Cap Domestic Equities and Equity Futures	$ 190,742,220	$ 5,064,465	$ -	$ 195,806,685
Small Cap Domestic Equities and Equity Futures	61,697,302	-	-	61,697,302
Non-US Equities and Equity Futures	26,577,458	-	-	26,577,458
Domestic Fixed Income Obligations and Fixed Income Futures	38,665,972	-	-	38,665,972
High Yield Fixed Income Obligations and Fixed Income Futures	2,862,473	-	-	2,862,473
Global Fixed Income Obligations and Fixed Income Futures	2,078,736	-	-	2,078,736
Real Estate	15,619,054	-	-	15,619,054
Long/Short Hedge Funds	1,274,260	-	-	1,274,260
Multi-Strategy Hedge Funds	494,762	-	-	494,762
Commodities	2,921,525	-	-	2,921,525
Total Investments at Fair Value	342,933,762	5,064,465	-	347,998,227
Cash and Cash Equivalents	-	-	-	44,749,788
Investments Measured at Net Asset Value or its Equivalent	-	-	-	182,009,021
Investments Recorded at Cost	-	-	-	2,900,047
Total Investments	342,933,762	5,064,465	-	577,657,083
Beneficial Interest in Trusts	-	-	50,772,498	50,772,498
Total	$ 342,933,762	$ 5,064,465	$ 50,772,498	$ 628,429,581

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended March 31, 2016 and 2015:

	Beneficial Interest in Trusts	
	2016	2015
Balance as of April 1	$ 50,772,498	$ 48,411,216
Additions	500,000	2,716,727
Change in Value of Trusts	(1,214,285)	1,150,009
Contribution of Beneficial Interest in Trusts	-	-
Change in Beneficial Interest in Trusts	(1,689,107)	(1,505,454)
Balance as of March 31	$ 48,369,106	$ 50,772,498

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of March 31, 2016 and 2015:

March 31, 2016	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic Equity/Large Cap and Mid Cap	$ 5,130,336	$ -	Daily	N/A
Domestic Equity/Large Cap and Mid Cap	9,676,996	-	Not Available *	90 Days
Non-US Equities	81,398,614	-	Monthly	5-30 Days
High Yield Fixed Income Obligations	12,659,467	-	Monthly	30 Days
Global Fixed Income Obligations	21,818,009	-	Monthly	10 Days
Real Estate	11,810,749	5,100,491	N/A	N/A
Long/Short Hedge Funds	3,890,858	-	Monthly	90 Days
Long/Short Hedge Funds	8,000,000	-	Not Available **	60 Days
Multi-Strategy Hedge Funds	17,827,955	-	Quarterly	60 Days
Multi-Strategy Hedge Funds	11,695,715	-	Not Available ***	95 Days
Commodities	7,993,855	-	Monthly	30 days
Commodities	708,092	1,101,177	N/A	N/A
Private Equity and Venture Capital	18,581,974	9,879,810	N/A	N/A
Total	$ 211,192,620	$ 16,081,478		

* The Foundation is not allowed to redeem shares until November 30, 2016.
** The Foundation is not allowed to redeem shares until March 31, 2017.
*** The Foundation is not allowed to redeem shares until December 31, 2016 and December 31, 2017.

March 31, 2015	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic Equity/Large Cap and Mid Cap	$ 5,064,465	$ -	Daily	N/A
Non-US Equities	68,493,365	-	Monthly	5-30 Days
High Yield Fixed Income Obligations	12,926,806	-	Monthly	30 Days
Global Fixed Income Obligations	21,338,787	-	Monthly	10 Days
Real Estate	15,794,443	6,188,060	N/A	N/A
Real Estate	8,778,207	-	Quarterly	45 Days
Long/Short Hedge Funds	10,073,323	-	Quarterly	60 Days
Multi-Strategy Hedge Funds	20,569,037	-	Not Available *	45-95 Days
Commodities	9,810,456	-	Monthly	30 days
Commodities	808,838	1,234,615	N/A	N/A
Private Equity and Venture Capital	13,415,759	7,155,924	N/A	N/A
Total	$ 187,073,486	$ 14,578,599		

* The Foundation is not allowed to redeem shares until December 31, 2015 and December 31, 2017.

US Domestic Equity investments can be structured as a commingled pool or collective fund for the purpose of providing a simplified option for investors who wish exposure to a large and widely diverse number of securities that are professionally managed. The Foundation's domestic equity commingled fund holds stocks with daily valuations and daily T+3 liquidity. The fund values its assets at fair value using readily available quoted prices from active markets trading in identical securities.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Non-US Equity investments are often structured as a commingled pool with a partnership legal structure for the purpose of simplifying issues involving trading these securities and individual country tax codes. The Foundation's investments are with long only equity managers who purchase stocks with daily valuations and T+3 liquidity. Restrictive redemption terms (monthly) are imposed by the managers of the funds in order to accommodate and simplify the investment or withdrawal of money from their funds from numerous investors. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

The High Yield investment holds a diversified portfolio of value-oriented, high-quality, high-yield securities including notes, bonds, bank loans and private debt of companies domiciled in the US, Canada and Western Europe. The fund generally carries a lower volatility, shorter average life and shorter duration portfolio than the Barclays Capital HY benchmark. The average credit quality is generally BB- to B+ and generally no more than 5% is invested in any one issuer and no more than 15% in any one holding. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

Global Fixed Income investments are often structured as a commingled pool with a partnership legal structure for the purpose of simplifying issues involving trading these securities and individual country tax codes. The Foundation's investment is with a manager who purchases only sovereign debt instruments with readily obtainable valuations and liquidity. Restrictive redemption terms (monthly) are imposed by the manager of the fund in order to facilitate the investment or withdrawal of money from numerous investors. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

Real Estate investments are structured as limited partnerships to accommodate the holding of illiquid real estate investments of various kinds. The Foundation's investments in real estate includes investing both with individual managers who buy and hold real estate investments directly in their respective funds and in a fund of funds format where they invest with a manager that purchases positions with various underlying managers. Strategies of these managers may include owning actual physical real estate, real estate investment products such as mortgages, shares of companies engaged in the real estate industry or currency hedges when real estate is purchased outside of the US. These instruments are typically illiquid until the underlying asset or investment pool enters a distribution or wind down phase. The unobservable inputs used to determine the fair value has been estimated using external and internal appraisals of property investments.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Long/Short Hedge Funds are investments with a fund of funds manager whose strategy is to invest with underlying managers whom it believes can provide the best possible risk adjusted return regardless of market conditions. Underlying managers may employ both long and short equity strategies; fixed income arbitrage strategies or other strategies it feels will help the fund accomplish its investment objectives. As underlying managers may provide infrequent valuations and impose liquidity restrictions or lock-ups on the fund itself, the fund of funds manager provides to investors quarterly valuations and liquidity options, but may impose a longer lock-up period on new money coming into the fund. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

Multi-Strategy Hedge Funds are investments with a fund of funds manager whose strategy is to invest with underlying managers whom it believes can provide the best possible risk adjusted return regardless of market conditions. Underlying managers may go both long or short on various securities, employ fixed income arbitrage strategies, invest in futures or forwards in addition to any number of other investment strategies. As underlying managers may provide infrequent valuations and impose liquidity restrictions or lock-ups on the fund itself, the fund of funds manager provides to investors monthly valuations but imposes longer lock-up periods on new money coming into the fund. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

Commodity investments in a commingled pool with a portfolio manager who employs a long only strategy that includes investing in futures, publicly traded stocks, swaps and structured notes where appropriate. The investment strategy is to find the most attractively priced investment opportunities in metals, agriculture, energy and financial instruments. Restrictive redemption terms (monthly) may be imposed by the manager of the fund in order to facilitate the investment or withdrawal of money from their fund from numerous investors. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

Private Equity and Venture Capital investments are structured as limited partnerships to accommodate the holding of illiquid assets, private equity or debt instruments of various kinds. Liquidity within the investment pool occurs with periodic distributions or as scheduled during the wind-down phase. The unobservable inputs used to determine the fair value has been estimated based on the capital account balances reported by underlying investments.

The unobservable inputs for Beneficial Interest in Trusts are the underlying assets controlled by the trustee. The underlying assets consists of marketable securities that are either classified as Level 1 or Level 2 assets and the Foundation’s fair value is determined by taking the trust’s total value multiplied by their interest in the trust, as stated in the trust document.

NOTE 4 LOANS RECEIVABLE (NAF)

Loans receivable at March 31, 2016 and 2015 were comprised of the following:

	2016	2015
Working Capital / Business	$ 4,413,680	$ 4,701,209
Community Facilities	15,236,470	15,261,045
Affordable Housing	1,011,634	750,315
Subtotal	20,661,784	20,712,569
Allowance for Loan Losses	(1,051,269)	(1,035,628)
Loans Receivable, Net	$ 19,610,515	$ 19,676,941

Anticipated principal payments on loans receivable as of March 31, 2016 are as follows:

Year Ending March 31,	Amount
2016, Net of Allowance of $256,526	$ 5,684,660
2018 Through 2021, Net of Allowance of $680,312	10,717,475
Thereafter, Net of Allowance of $114,431	3,208,380
Total	$ 19,610,515

NAF has the following commitments as of March 31, 2016:

Available Nonrevolving Lines of Credit, with Maturities to 2023	$ 255,376
Available Lines of Credit, with Maturities through March 2018	3,398,896
Term Loans Originated but Not Fully Disbursed as of Year-End	200,000
Total Commitments	$ 3,854,272

The following tables present the aging of past due loans by loan segment as of March 31, 2016 and 2015:

As of March 31, 2016	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
Working Capital / Business	$ 4,190,181	$ -	$ -	$ 223,499	$ 4,413,680	$ -
Community Facilities	14,201,273	-	-	1,035,198	15,236,471	-
Affordable Housing	1,011,634	-	-	-	1,011,634	-
Total	$ 19,403,088	$ -	$ -	$ 1,258,697	$ 20,661,785	$ -

As of March 31, 2015	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
Working Capital / Business	$ 4,385,197	$ -	$ -	$ 316,012	$ 4,701,209	$ 188,621
Community Facilities	15,119,600	-	-	141,445	15,261,045	-
Affordable Housing	750,315	-	-	-	750,315	-
Total	$ 20,255,112	$ -	$ -	$ 457,457	$ 20,712,569	$ 188,621

NOTE 4 LOANS RECEIVABLE (NAF) (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 ratings of E and F are considered Substandard. Loans rated G are listed as Doubtful.

As of March 31, 2016	Pass	Watch	Substandard	Doubtful	Total
Working Capital / Business	$ 3,828,928	$ 454,352	$ 130,400	$ -	$ 4,413,680
Community Facilities	13,637,108	1,457,918	141,445	-	15,236,471
Affordable Housing	1,011,634	-	-	-	1,011,634
Total	$ 18,477,670	$ 1,912,270	$ 271,845	$ -	$ 20,661,785
Current	$ 18,477,670	$ 898,517	$ 26,901	$ -	$ 19,403,088
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	1,013,753	244,944	-	1,258,697
Total	$ 18,477,670	$ 1,912,270	$ 271,845	$ -	$ 20,661,785

As of March 31, 2015	Pass	Watch	Substandard	Doubtful	Total
Working Capital / Business	$ 4,089,210	$ 295,987	$ 191,777	$ 124,235	$ 4,701,209
Community Facilities	14,935,060	184,540	141,445	-	15,261,045
Affordable Housing	750,315	-	-	-	750,315
Total	$ 19,774,585	$ 480,527	$ 333,222	$ 124,235	$ 20,712,569
Current	$ 19,774,585	$ 480,527	$ -	$ -	$ 20,255,112
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	333,222	124,235	457,457
Total	$ 19,774,585	$ 480,527	$ 333,222	$ 124,235	$ 20,712,569

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.

NOTE 4 LOANS RECEIVABLE (NAF) (CONTINUED)

Allowance for Loan Losses (Continued)

Activity in the loan loss reserve for the years ended March 31, 2016 and 2015 was as follows:

March 31, 2016	Working Capital Business	Community Facilities	Affordable Housing	Total
Allowance for Loan Losses				
Beginning Balance	$ 381,147	$ 628,951	$ 25,531	$ 1,035,629
Charge Offs	(21,587)	-	-	(21,587)
Recoveries	-	-	-	-
Provisions	(41,902)	77,454	1,675	37,227
Ending Balance	$ 317,658	$ 706,405	$ 27,206	$ 1,051,269
Allowance for Loan Losses				
Ending Balance: Individually Evaluated for Impairment	$ 140,635	$ 288,765	$ -	$ 429,400
Ending Balance: Collectively Evaluated for Impairment	177,025	417,640	27,205	621,870
	$ 317,660	$ 706,405	$ 27,205	$ 1,051,270
Financing Receivables				
Ending Balance: Individually Evaluated for Impairment	$ 584,752	$ 1,599,393	$ -	$ 2,184,145
Ending Balance: Collectively Evaluated for Impairment	3,828,928	13,637,108	1,011,634	18,477,670
	$ 4,413,680	$ 15,236,501	$ 1,011,634	$ 20,661,815

NOTE 4 LOANS RECEIVABLE (NAF) (CONTINUED)

Allowance for Loan Losses (Continued)

March 31, 2015	Working Capital Business	Community Facilities	Affordable Housing	Total
Allowance for Loan Losses				
Beginning Balance	$ 750,454	$ 441,899	$ 23,818	$ 1,216,171
Charge Offs	-	(399,566)	-	(399,566)
Recoveries	2,704	-	-	2,704
Provisions	(372,011)	586,618	1,713	216,320
Ending Balance	$ 381,147	$ 628,951	$ 25,531	$ 1,035,629
Allowance for Loan Losses				
Ending Balance: Individually Evaluated for Impairment	$ 159,627	$ 89,177	$ -	$ 248,804
Ending Balance: Collectively Evaluated for Impairment	221,521	539,774	25,530	786,825
	$ 381,148	$ 628,951	$ 25,530	$ 1,035,629
Financing Receivables				
Ending Balance: Individually Evaluated for Impairment	$ 611,999	$ 325,985	$ -	$ 937,984
Ending Balance: Collectively Evaluated for Impairment	4,089,210	14,935,060	750,315	19,774,585
	$ 4,701,209	$ 15,261,045	$ 750,315	$ 20,712,569

On April 30, 2014, 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 that ceased operations. As of the acquisition date, NAF recorded the property as Other Real Estate Owned. The property is held for sale. At the time of acquisition, the value of the property was determined to be in excess of the carrying amount of the loans on which the property served as collateral. The property was recorded at carrying amount. As of March 31, 2016, the recorded carrying amount of the property is $464,107.

NOTE 5 NOTES RECEIVABLE

The Foundation received a contribution of three separate unsecured note receivables each in the amount of $16,000,000 during 2009. Each note accrues interest at 4.45% and is payable in interest only payments of $712,000 payable on December 19, 2009 through December 19, 2013. Beginning December 19, 2014 through maturity of December 19, 2023, payments of interest and principal will be made on each note in the amount of $2,017,093. In the event that a note is determined to be uncollectible, the Foundation may record the uncollectible amount as an allowance. The Foundation's management reviews the status of these notes to determine whether an allowance is necessary. At March 31, 2016, there were no past due amounts and an allowance was not warranted.

NOTE 6 NOTES PAYABLE (NAF)

Notes payable consist of loans with stated interest from 1.50% to 4.00%, maturing through 2026. Principal payments on notes payable are as follows:

Year Ending March 31,	Amount
2017	$ 1,480,246
2018	870,224
2019	2,260,716
2020	2,392,968
2021	42,430
Thereafter	5,226,762
Total	$ 12,273,346

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

NOTE 7 LINES OF CREDIT (NAF)

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 0.3% to LIBOR plus 3%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2016 and 2015.

Lines of Credit	Amount
Alerus Financial	$ 500,000
The Minneapolis Foundation (TMF)	2,000,000
Minnesota Bank & Trust	750,000
Synchrony Financial	1,000,000
Total Lines of Credit	$ 4,250,000

NOTE 8 GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. The following is a summary of grants authorized and payable at March 31:

Year	2016	2015
2016	$ -	$ 3,054,213
2017	2,527,350	1,117,000
2018	1,239,400	407,150
2019	358,650	70,650
2020	275,500	-
2021	50,000	-
Subtotal	4,450,900	4,649,013
Discount (5%)	(138,741)	(100,663)
Total	$ 4,312,159	$ 4,548,350

NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The net asset balances as of March 31 consist of the following:

	2016	2015
Temporarily Restricted:		
Restricted for Programs	$ 23,497,326	$ 28,388,682
Split-Interest Agreements	43,245,141	44,870,049
Total Temporarily Restricted	$ 66,742,467	$ 73,258,731
Permanently Restricted:		
Permanent Endowment	$ 20,252,842	$ 20,252,842
Beneficial Interest in Perpetual Trusts	14,222,009	15,715,854
Total Permanently Restricted	$ 34,474,851	$ 35,968,696

NOTE 10 ENDOWMENT

The composition of endowment funds by type of fund are as follows for the years ended March 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Designated Endowment Funds	$ (5,385)	$ 16,146,922	$ 20,252,842	$ 36,394,379
Other Endowment Funds	203,936,522	-	-	203,936,522
Total Endowment Funds	$ 203,931,137	$ 16,146,922	$ 20,252,842	$ 240,330,901

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Designated Endowment Funds	$ -	$ 19,933,619	$ 20,252,842	$ 40,186,461
Other Endowment Funds	214,735,217	-	-	214,735,217
Total Endowment Funds	$ 214,735,217	$ 19,933,619	$ 20,252,842	$ 254,921,678

Other endowments funds include funds that are subject to the Foundation’s spending policy under gift agreements but allow for the distribution of corpus or are subject to the Foundation’s variance power that allows for the ability to remove any restriction. The Foundation also has funds that are classified as temporarily restricted due to donor restrictions in which the Foundation applies a spending policy. These funds do not fall under UPMIFA requirements and the Foundation is not obligated to apply a spending policy but has determined that is prudent to apply the same spending policies to these funds. These funds are not included in the endowment fund footnote above.

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $5,385 and $-0- as of March 31, 2016 and 2015.

NOTE 10 ENDOWMENT (CONTINUED)

The summary of changes in endowment net assets are as follows for the years ended March 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 214,735,217	$ 19,933,619	$ 20,252,842	$ 254,921,678
Contributions	6,945,500	-	-	6,945,500
Investment Income, Net	(9,617,381)	(1,847,897)	-	(11,465,278)
Amounts Appropriated for Expenditure	(8,126,814)	(1,944,185)	-	(10,070,999)
Reclassification	-	-	-	-
Transfer of Earnings	(5,385)	5,385	-	-
Endowment Fund Balance, March 31, 2016	$ 203,931,137	$ 16,146,922	$ 20,252,842	$ 240,330,901

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 212,707,495	$ 20,096,533	$ 20,252,842	$ 253,056,870
Contributions	2,559,566	-	-	2,559,566
Investment Income, Net	8,461,610	1,490,666	-	9,952,276
Amounts Appropriated for Expenditure	(8,993,454)	(1,653,580)	-	(10,647,034)
Reclassification	-	-	-	-
Transfer of Earnings	-	-	-	-
Endowment Fund Balance, March 31, 2015	$ 214,735,217	$ 19,933,619	$ 20,252,842	$ 254,921,678

NOTE 11 OPERATING LEASE

The Foundation has operating leases for office space and equipment. Annual rentals under the office space leases expiring September 30, 2015, February 28, 2017, and March 31, 2022 include the base rent plus a proportionate share of the actual operating costs of the building as specified in the lease agreement. Annual rentals under the equipment leases for copiers and postage meters expire in various years through 2017. Total rentals paid during fiscal years 2016 and 2015 were $427,200 and $357,700, respectively.

NOTE 11 OPERATING LEASE (CONTINUED)

Future minimum lease payments at March 31 are as follows:

Year Ending March 31,	Amount
2017	$ 369,079
2018	327,350
2019	328,697
2020	336,158
2021	344,690
Thereafter	350,832
Total Future Minimum Lease Payments	$ 2,056,806

NOTE 12 RETIREMENT PLAN

Regular full-time and part-time employees who have completed at least one year of service are eligible to participate in a Simplified Employee Pension Plan (SEP) which provides for annual discretionary contributions to eligible employees SEP-IRA accounts. In fiscal 2016 and 2015, the discretionary contribution percentage was 8% of employees' compensation, respectively. Retirement plan expense was $360,025 and $334,478 for the years ended March 31, 2016 and 2015, respectively.

NOTE 13 RELATED-PARTY TRANSACTIONS

Prior to January 1, 2015, NAF reimbursed TMF for salaries and benefits of its employees under an employer-services agreement. During the year ended March 31, 2015, NAF paid $636,921 for these salaries, benefits and services. Beginning January 1, 2015, NAF took over administration of its own payroll and benefits plans, thus there is no balance owed to TMF as of March 31, 2016 and 2015. As a supporting organization of TMF, NAF pays for a share of certain business and liability insurance expenses covered by blanket policies held by TMF. TMF made grants to NAF totaling $-0-, and $30,000 during the years ended March 31, 2016 and 2015, respectively, for leadership and financial capacity building.

TMF has two promissory note agreements with NAF for purposes of extending loans to local nonprofit organizations. Both notes bear interest at 2% annually. The due dates on the notes are January 1, 2017 and January 1, 2018, and the amounts outstanding are $1,000,000 and $815,500, both the maximum available on the notes.

All related party transactions were eliminated in the consolidation of the financial statements.

NOTE 14 CONTINGENCIES

Petters Litigation

In 2000 and 2001, in connection with the establishment of a donor-advised fund in the donors' names, The Minneapolis Foundation received gifts of two promissory notes issued by companies owned and controlled by Thomas J. Petters and initially made payable to the donors or their affiliates. Periodic payments of accrued interest on the donated promissory notes were received through 2003, at which time both notes were paid in full and all assets from the donor-advised fund (both principal and interest) were, at the request of the donors, distributed to another public charity.

On September 30, 2010, The Minneapolis Foundation was named as a defendant in a lawsuit commenced by Douglas A Kelley, the Chapter 11 bankruptcy trustee for Petters Company Inc. and several affiliated entities, in the United States Bankruptcy Court in Minnesota. This suit is one of numerous "claw back" actions commenced by the Petters bankruptcy trustee seeking to recover moneys paid to third parties, including charities, by convicted Ponzi schemer, Thomas Petters, and various of his affiliated companies, in connection with an alleged fraudulent investment scheme. The trustee alleges that transfers of interest and principal totaling $10,966,871 were made to or for the benefit of The Minneapolis Foundation in furtherance of the alleged fraudulent investment scheme.

The Foundation has retained legal representation and intends to defend itself vigorously. The Foundation believes that the trustee's claims are totally without merit and, accordingly, does not believe a liability exists or that a potential loss could be reasonably estimated. Therefore, no loss contingencies have been accrued in the financial statements.

NOTE 15 DECONSOLIDATION OF RKMC

Effective April 1, 2014, RKMC approved changing their exempt status with the Internal Revenue Service from a public charity supporting organization of TMF to a private foundation. This was approved by the Board of RKMC in May 2014 retroactive to April 1, 2014. Due to this change in status, RKMC is no longer a supporting organization of TMF and will no longer be consolidated with TMF, effective April 1, 2014. However, the two foundations have entered into a service agreement whereby TMF will continue to provide investment, grant-making, and accounting services to RKMC for a fee.

NOTE 15 DECONSOLIDATION OF RKMC (CONTINUED)

The statement of financial position of RKMC consisted of the following as of April 1, 2014 and is the basis for the deconsolidation of RKMC on the consolidated statement of activities for the year ended March 31, 2015:

ASSETS	
Cash and Cash Equivalents	$ 85,196
Interest and Dividends Receivable	17,444
Investments	39,699,115
Total Assets	$ 39,801,755
LIABILITIES AND NET ASSETS	
Accounts Payable	$ 23,520
Total Liabilities	23,520
Temporarily Restricted Net Assets	39,778,235
Total Net Assets	39,778,235
Total Liabilities and Net Assets	$ 39,801,755

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE FOR THE STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016
(UNAUDITED)

	TMF	NAF	Eliminations	Consolidated
ASSETS				
Cash and Cash Equivalents	$ 10,851,539	$ 2,372,909	$ -	$ 13,224,448
Interest and Dividends Receivable	798,226	72,064	-	870,290
Accounts and Pledges Receivable	886,479	85,895	-	972,374
Prepaids	38,694	32,395	-	71,089
Investments	550,447,154	734,805	-	551,181,959
Other Assets	1,662,989	464,107	-	2,127,096
Loans Receivable, Net	-	19,610,515	-	19,610,515
Notes Receivable	44,310,712	-	(1,815,500)	42,495,212
Beneficial Interest in Trusts	48,369,106	-	-	48,369,106
Furniture, Fixtures and Equipment (Less Accumulated Depreciation)	590,164	63,453	-	653,617
Total Assets	$ 657,955,063	$ 23,436,143	$ (1,815,500)	$ 679,575,706
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,900,355	$ 170,045	$ -	$ 2,070,400
Grants Payable	4,312,159	-	-	4,312,159
Notes Payable	-	14,088,846	(1,815,500)	12,273,346
Deferred Lease Credits	480,706	-	-	480,706
Amounts Due Beneficiaries	14,031,831	-	-	14,031,831
Charitable Funds Held for the Benefit of Others	26,086,289	-	-	26,086,289
Total Liabilities	46,811,340	14,258,891	(1,815,500)	59,254,731
NET ASSETS				
Unrestricted:				
Undesignated	510,467,625	8,636,032	-	519,103,657
Temporarily Restricted	66,201,247	541,220	-	66,742,467
Permanently Restricted	34,474,851	-	-	34,474,851
Total Net Assets	611,143,723	9,177,252	-	620,320,975
Total Liabilities and Net Assets	$ 657,955,063	$ 23,436,143	$ (1,815,500)	$ 679,575,706

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE FOR THE STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015
(UNAUDITED)

	TMF	NAF	Eliminations	Consolidated
ASSETS				
Cash and Cash Equivalents	$ 11,207,555	$ 1,177,792	$ -	$ 12,385,347
Interest and Dividends Receivable	888,757	50,135	-	938,892
Accounts and Pledges Receivable	988,991	376,625	-	1,365,616
Prepaids	125,648	33,668	-	159,316
Investments	576,425,493	1,231,590	-	577,657,083
Other Assets	1,699,081	464,107	-	2,163,188
Loans Receivable, Net	-	19,676,941	-	19,676,941
Notes Receivable	45,900,221	-	(1,815,500)	44,084,721
Beneficial Interest in Trusts	50,772,498	-	-	50,772,498
Furniture, Fixtures and Equipment (Less Accumulated Depreciation)	85,870	64,419	-	150,289
Total Assets	$ 688,094,114	$ 23,075,277	$ (1,815,500)	$ 709,353,891
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 990,370	$ 156,082	$ -	$ 1,146,452
Grants Payable	4,548,350	-	-	4,548,350
Notes Payable	-	14,062,086	(1,815,500)	12,246,586
Deferred Lease Credits	39,886	-	-	39,886
Amounts Due Beneficiaries	12,254,583	-	-	12,254,583
Charitable Funds Held for the Benefit of Others	23,429,173	-	-	23,429,173
Total Liabilities	41,262,362	14,218,168	(1,815,500)	53,665,030
NET ASSETS				
Unrestricted:				
Undesignated	538,656,818	7,804,616	-	546,461,434
Temporarily Restricted	72,206,238	1,052,493	-	73,258,731
Permanently Restricted	35,968,696	-	-	35,968,696
Total Net Assets	646,831,752	8,857,109	-	655,688,861
Total Liabilities and Net Assets	$ 688,094,114	$ 23,075,277	$ (1,815,500)	$ 709,353,891

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE FOR THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2016
(UNAUDITED)

	TMF			NAF			Consolidated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUES, GAINS AND OTHER SUPPORT									
Total Amount Raised	$ 52,029,318	$ 1,325,000	$ -	$ 769,417	$ 24,148	$ -	$ 52,798,735	$ 1,349,148	$ -
Less: Amounts Received for Benefits of Others	4,967,829	-	-	-	-	-	4,967,829	-	-
Contributions, Net	47,061,489	1,325,000	-	769,417	24,148	-	47,830,906	1,349,148	-
Total Investment Income, Net	(16,771,146)	(2,142,446)	-	15,835	-	(36,370)	(16,791,681)	(2,142,446)	-
Less: Investment from Charitable Funds Held for Benefit of Others	(973,525)	-	-	-	-	-	(973,525)	-	-
Investment Income, Net	(15,797,621)	(2,142,446)	-	15,835	-	(36,370)	(15,818,156)	(2,142,446)	-
Change in Value of Trusts	-	(275,410)	(1,493,845)	-	-	-	-	(275,410)	(1,493,845)
Administrative Service Revenue from Agency Funds and Private Foundations	446,545	-	-	-	-	-	446,545	-	-
Note Receivable Interest and Other Income	2,180,013	12,098	-	1,382,195	-	-	3,562,208	12,098	-
Net Assets Released from Restrictions	4,924,233	(4,924,233)	-	535,421	(535,421)	-	5,459,654	(5,459,654)	-
Total Revenues, Gains and Other Support	38,814,659	(6,004,991)	(1,493,845)	2,702,868	(511,273)	(36,370)	41,481,157	(6,516,264)	(1,493,845)
EXPENSES									
Program Services:									
Total Grants	57,471,570	-	-	-	-	-	57,471,570	-	-
Less: Grants Made for Benefit of Charitable Funds Held	1,162,790	-	-	-	-	-	1,162,790	-	-
Grants, Net	56,308,780	-	-	-	-	-	56,308,780	-	-
Program Service Expense	6,053,997	-	-	1,603,838	-	-	7,657,835	-	-
Support Services:									
Management and General Administrative Expense	2,567,255	-	-	252,394	-	(36,370)	2,783,279	-	-
Fund Raising	2,073,820	-	-	15,220	-	-	2,089,040	-	-
Total Expenses	67,003,852	-	-	1,871,452	-	(36,370)	68,838,934	-	-
CHANGE IN NET ASSETS	(28,189,193)	(6,004,991)	(1,493,845)	831,416	(511,273)	-	(27,357,777)	(6,516,264)	(1,493,845)
NONOPERATING CHANGE IN NET ASSETS									
Deconsolidation of RKMC (See Note 15)	-	-	-	-	-	-	-	-	-
Total Nonoperating Change in Net Assets	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(28,189,193)	(6,004,991)	(1,493,845)	831,416	(511,273)	-	(27,357,777)	(6,516,264)	(1,493,845)
Net Assets - Beginning of Year	538,656,818	72,206,238	35,968,696	7,804,616	1,052,493	-	546,461,434	73,258,731	35,968,696
NET ASSETS - END OF YEAR	$ 510,467,625	$ 66,201,247	$ 34,474,851	$ 8,636,032	$ 541,220	$ -	$ 519,103,657	$ 66,742,467	$ 34,474,851

THE MINNEAPOLIS FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE FOR THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2015
(UNAUDITED)

	TMF			NAF		RKMC			Consolidated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted *	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUES, GAINS AND OTHER SUPPORT											
Total Amount Raised	$ 52,900,026	$ 3,682,727	$ -	$ 755,200	$ 921,088	$ -	$ -	$ (30,000)	$ 53,625,226	$ 4,603,815	$ -
Less: Amounts Received for Benefits of Others	928,384	-	-	-	-	-	-	-	928,384	-	-
Contributions, Net	51,971,642	3,682,727	-	755,200	921,088	-	-	(30,000)	52,696,842	4,603,815	-
Total Investment Income, Net	18,025,450	1,723,007	-	17,673	-	-	-	(36,370)	18,006,753	1,723,007	-
Less: Investment from Charitable Funds Held for Benefit of Others	888,966	-	-	-	-	-	-	-	888,966	-	-
Investment Income, Net	17,136,484	1,723,007	-	17,673	-	-	-	(36,370)	17,117,787	1,723,007	-
Change in Value of Trusts	10	949,162	139,558	-	-	-	-	-	10	949,162	139,558
Administrative Service Revenue from Agency Funds	406,248	-	-	-	-	-	-	(3,000)	403,248	-	-
Note Receivable Interest and Other Income	2,275,760	-	-	1,191,546	-	-	-	-	3,467,306	-	-
Net Assets Released from Restrictions	3,554,667	(3,554,667)	-	395,410	(395,410)	-	-	-	3,950,077	(3,950,077)	-
Total Revenues, Gains and Other Support	75,344,811	2,800,229	139,558	2,359,829	525,678	-	-	(69,370)	77,635,270	3,325,907	139,558
EXPENSES											
Program Services:											
Total Grants	81,964,063	-	-	-	-	-	-	(30,000)	81,934,063	-	-
Less: Grants Made for Benefit of Charitable Funds Held	871,239	-	-	-	-	-	-	-	871,239	-	-
Grants, Net	81,092,824	-	-	-	-	-	-	(30,000)	81,062,824	-	-
Program Service Expense	4,376,548	-	-	1,533,425	-	-	-	-	5,909,973	-	-
Support Services:											
Management and General Administrative Expen	2,294,478	-	-	242,748	-	-	-	(39,370)	2,497,856	-	-
Fund Raising	1,843,069	-	-	27,693	-	-	-	-	1,870,762	-	-
Total Expenses	89,606,919	-	-	1,803,866	-	-	-	(69,370)	91,341,415	-	-
CHANGE IN NET ASSETS	(14,262,108)	2,800,229	139,558	555,963	525,678	-	-	-	(13,706,145)	3,325,907	139,558
NONOPERATING CHANGE IN NET ASSETS											
Deconsolidation of RKMC (See Note 16)	-	-	-	-	-	-	(39,778,235)	-	-	(39,778,235)	-
Total Nonoperating Change in Net Assets	-	-	-	-	-	-	(39,778,235)	-	-	(39,778,235)	-
TOTAL CHANGE IN NET ASSETS	(14,262,108)	2,800,229	139,558	555,963	525,678	-	(39,778,235)	-	(13,706,145)	(36,452,328)	139,558
Net Assets - Beginning of Year	552,918,926	69,406,009	35,829,138	7,248,653	526,815	-	39,778,235	-	560,167,579	109,711,059	35,829,138
NET ASSETS - END OF YEAR	$ 538,656,818	$ 72,206,238	$ 35,968,696	$ 7,804,616	$ 1,052,493	$ -	$ -	$ -	$ 546,461,434	$ 73,258,731	$ 35,968,696

* Note: RKMC's net assets are unrestricted but are considered temporarily restricted for consolidated financial statements.