

NONPROFITS ASSISTANCE FUND
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2015 AND 2014

**NONPROFITS ASSISTANCE FUND
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YEARS ENDED MARCH 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nonprofits Assistance Fund
Minneapolis, Minnesota

Report on the Financial Statements

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, 2015 and 2014, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

Our audit as of and for the year ended March 31, 2015 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 15, 2015

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014**

	March 31, 2015			March 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 774,387	\$ 403,405	\$ 1,177,792	\$ 2,045,410	\$ 226,815	\$ 2,272,225
Certificates of Deposit	378,648	300,000	678,648	-	50,000	50,000
Accounts and Grants Receivable	27,537	349,088	376,625	31,655	100,000	131,655
Loans Receivable, Net of Allowance of \$288,219 in 2015 and \$638,610 in 2014	5,249,275	-	5,249,275	4,807,526	-	4,807,526
Loan Interest Receivable	50,135	-	50,135	45,942	-	45,942
Prepays	33,668	-	33,668	16,740	-	16,740
Total Current Assets	<u>6,513,650</u>	<u>1,052,493</u>	<u>7,566,143</u>	<u>6,947,273</u>	<u>376,815</u>	<u>7,324,088</u>
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of \$747,409 in 2015 and \$577,562 in 2014	14,427,666	-	14,427,666	9,761,887	-	9,761,887
Other Real Estate Owned	464,107	-	464,107	-	-	-
Certificates of Deposit	552,942	-	552,942	1,079,225	150,000	1,229,225
Equipment, Net of Depreciation	64,419	-	64,419	96,569	-	96,569
Total Noncurrent Assets	<u>15,509,134</u>	<u>-</u>	<u>15,509,134</u>	<u>10,937,681</u>	<u>150,000</u>	<u>11,087,681</u>
 Total Assets	 <u>\$ 22,022,784</u>	 <u>\$ 1,052,493</u>	 <u>\$ 23,075,277</u>	 <u>\$ 17,884,954</u>	 <u>\$ 526,815</u>	 <u>\$ 18,411,769</u>

See accompanying Notes to Financial Statements.

NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2015 AND 2014

	March 31, 2015			March 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Notes Payable	\$ 604,963	\$ -	\$ 604,963	\$ 1,877,714	\$ -	\$ 1,877,714
Accounts Payable and Accrued Expenses	110,072	-	110,072	178,818	-	178,818
Current Portion of Capital Lease Obligation	2,027	-	2,027	1,963	-	1,963
Interest Payable	32,285	-	32,285	21,496	-	21,496
Deferred Revenue	6,145	-	6,145	9,968	-	9,968
Total Current Liabilities	<u>755,492</u>	<u>-</u>	<u>755,492</u>	<u>2,089,959</u>	<u>-</u>	<u>2,089,959</u>
LONG-TERM LIABILITIES						
Notes Payable, Net of Current Maturities	13,357,123	-	13,357,123	8,538,762	-	8,538,762
Recoverable Grants	100,000	-	100,000	-	-	-
Capital Lease Obligation, Net of Current Portion	5,553	-	5,553	7,580	-	7,580
Total Long-Term Liabilities	<u>13,462,676</u>	<u>-</u>	<u>13,462,676</u>	<u>8,546,342</u>	<u>-</u>	<u>8,546,342</u>
Total Liabilities	14,218,168	-	14,218,168	10,636,301	-	10,636,301
NET ASSETS						
Unrestricted Net Assets:						
Undesignated	5,804,616	-	5,804,616	5,248,653	-	5,248,653
Designated for Lending	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Total Unrestricted Net Assets	<u>7,804,616</u>	<u>-</u>	<u>7,804,616</u>	<u>7,248,653</u>	<u>-</u>	<u>7,248,653</u>
Temporarily Restricted Net Assets	-	1,052,493	1,052,493	-	526,815	526,815
Total Net Assets	<u>7,804,616</u>	<u>1,052,493</u>	<u>8,857,109</u>	<u>7,248,653</u>	<u>526,815</u>	<u>7,775,468</u>
Total Liabilities and Net Assets	<u>\$ 22,022,784</u>	<u>\$ 1,052,493</u>	<u>\$ 23,075,277</u>	<u>\$ 17,884,954</u>	<u>\$ 526,815</u>	<u>\$ 18,411,769</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2015 AND 2014**

	Year Ended March 31, 2015			Year Ended March 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Gifts and Grants	\$ 755,200	\$ 921,088	\$ 1,676,288	\$ 20,540	\$ 232,147	\$ 252,687
Loan Interest Income	936,845	-	936,845	764,214	-	764,214
Loan Fee Revenue	127,973	-	127,973	93,409	-	93,409
Program Revenue	108,175	-	108,175	121,411	-	121,411
Investment Income	17,673	-	17,673	23,960	-	23,960
Other Income	18,553	-	18,553	-	-	-
Net Assets Released from Restrictions	395,410	(395,410)	-	1,168,456	(1,168,456)	-
Total Revenues	<u>2,359,829</u>	<u>525,678</u>	<u>2,885,507</u>	<u>2,191,990</u>	<u>(936,309)</u>	<u>1,255,681</u>
EXPENSES						
Program Service:						
Program Expenses	1,047,472	-	1,047,472	991,708	-	991,708
Interest Expense	269,633	-	269,633	253,606	-	253,606
Provision for Loan Loss Reserve	216,320	-	216,320	268,789	-	268,789
Management and General	242,748	-	242,748	211,484	-	211,484
Fundraising	27,693	-	27,693	10,205	-	10,205
Total Expenses	<u>1,803,866</u>	<u>-</u>	<u>1,803,866</u>	<u>1,735,792</u>	<u>-</u>	<u>1,735,792</u>
CHANGE IN NET ASSETS	555,963	525,678	1,081,641	456,198	(936,309)	(480,111)
Net Assets - Beginning of Year	<u>7,248,653</u>	<u>526,815</u>	<u>7,775,468</u>	<u>6,792,455</u>	<u>1,463,124</u>	<u>8,255,579</u>
NET ASSETS - END OF YEAR	<u>\$ 7,804,616</u>	<u>\$ 1,052,493</u>	<u>\$ 8,857,109</u>	<u>\$ 7,248,653</u>	<u>\$ 526,815</u>	<u>\$ 7,775,468</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,081,641	\$ (480,111)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	42,872	40,138
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	(244,970)	(44,907)
Loan Interest Receivable	(4,193)	28,102
Prepays	(16,928)	11,337
Accounts Payable and Accrued Expenses	(68,746)	35,891
Interest Payable	10,789	(1,221)
Deferred Revenue	(3,823)	3,380
Net Cash Provided (Used) by Operating Activities	796,642	(407,391)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principal Advanced	(16,328,206)	(14,536,952)
Loan Receivable Repayments	10,556,265	9,619,831
Loan Receivable Charge Offs	399,566	-
Increase in Allowance for Uncollectable Loans Receivable	(180,543)	268,789
Increase in Other Real Estate Owned	(18,717)	-
Purchase of Equipment	(10,721)	(37,513)
Net Change in Certificates of Deposit	47,635	1,447,518
Net Cash Used by Investing Activities	(5,534,721)	(3,238,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	5,295,100	800,000
Principal Payments on Notes Payable	(1,649,491)	(421,972)
Principal Payments on Capital Lease Obligation	(1,963)	(2,184)
Net Cash Provided by Financing Activities	3,643,646	375,844
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,094,433)	(3,269,874)
Cash and Cash Equivalents - Beginning of Year	2,272,225	5,542,099
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,177,792	\$ 2,272,225
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	\$ 258,844	\$ 254,827
Real Estate Acquired in Satisfaction of Loan Receivable	\$ 445,390	\$ -
Equipment Acquired Through Capital Lease	\$ -	\$ 10,342

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at our disposal to meet those lending needs. Loans made to nonprofits generally range from \$20,000 to \$1,000,000, and loan clients are organizations of all sizes and stages of development. In certain circumstances, NAF will lend larger amounts in partnership with other CDFIs and financial institutions. These larger loans are considered on a case by case basis and require the approval of the full board of the organization.

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.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

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, 2015 and 2014.

Basis of Accounting

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

Cash and Cash Equivalents

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

Certificates of Deposit

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

Accounts and Grants Receivable

Accounts receivable are stated at net realizable value. Management believes all accounts receivable are collectible at March 31, 2015 and 2014. Accordingly, no allowance for doubtful accounts has been recorded.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

The loans receivable consist of notes with interest rates ranging from 2.0% to 8.0% with maturities through 2029. 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.

Other Real Estate Owned

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell. Subsequent to recording the asset, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expense from operations and changes in the valuation are included in the Other Income and/or Program Expense line items of the Statement of Activities.

Gifts and Grants

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement 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, 2015 or 2014, respectively.

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.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 15, 2015, the date the financial statements were available to be issued.

NOTE 2 LOANS RECEIVABLE

Anticipated principal payments on loans receivable as of March 31, 2015, are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2016, Net of Allowance of \$288,219	\$ 5,249,275
2017 through 2020, Net of Allowance of \$747,409	12,385,570
Thereafter	2,042,096
Total	<u>\$ 19,676,941</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

NAF has the following commitments as of March 31, 2015:

Available Letters of Credit, with Maturities through January 2016	\$ 77,188
Available Lines of Credit, with Maturities through March 2017	3,842,209
Loans Closed but Not Fully Disbursed as of Year-End	-
Total Commitments	<u>\$ 3,919,397</u>

Loans receivable at March 31, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Working Capital / Business	\$ 4,701,209	\$ 4,203,972
Community Facilities	15,261,045	10,862,031
Affordable Housing	750,315	719,581
	<u>20,712,569</u>	<u>15,785,584</u>
Allowance for Loan Losses	(1,035,628)	(1,216,171)
Loans Receivable, Net	<u>\$ 19,676,941</u>	<u>\$ 14,569,413</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.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

The following table presents the aging of past due loans by loan segment as of March 31, 2015 and 2014:

	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
<u>As of March 31, 2015</u>						
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	-
	<u>\$ 20,255,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,457</u>	<u>\$ 20,712,569</u>	<u>\$ 188,621</u>
<u>As of March 31, 2014</u>						
Working Capital / Business	\$ 3,864,143	\$ 75,000	\$ -	\$ 264,829	\$ 4,203,972	\$ 264,829
Community Facilities	10,157,851	-	-	704,180	10,862,031	704,181
Affordable Housing	719,581	-	-	-	719,581	-
	<u>\$ 14,741,575</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 969,009</u>	<u>\$ 15,785,584</u>	<u>\$ 969,010</u>

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.

	Pass	Watch	Substandard	Doubtful	Total
<u>As of March 31, 2015</u>					
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
	<u>\$ 19,774,585</u>	<u>\$ 480,527</u>	<u>\$ 333,222</u>	<u>\$ 124,235</u>	<u>\$ 20,712,569</u>
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
	<u>\$ 19,774,585</u>	<u>\$ 480,527</u>	<u>\$ 333,222</u>	<u>\$ 124,235</u>	<u>\$ 20,712,569</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

<u>As of March 31, 2014</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital / Business	\$ 3,599,517	\$ 207,848	\$ 271,607	\$ 125,000	\$ 4,203,972
Community Facilities	9,857,782	158,624	845,625	-	10,862,031
Affordable Housing	719,581	-	-	-	719,581
	<u>\$ 14,176,880</u>	<u>\$ 366,472</u>	<u>\$ 1,117,232</u>	<u>\$ 125,000</u>	<u>\$ 15,785,584</u>
Current	\$ 14,101,880	\$ 366,472	\$ 273,223	\$ -	\$ 14,741,575
Past Due 31-60 Days	75,000	-	-	-	75,000
Past Due 61-90 Days	-	-	-	-	-
Past Due 90 + Days	-	-	844,009	125,000	969,009
	<u>\$ 14,176,880</u>	<u>\$ 366,472</u>	<u>\$ 1,117,232</u>	<u>\$ 125,000</u>	<u>\$ 15,785,584</u>

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.

Activity in the loan loss reserve for the years ended March 31, 2015 and 2014 was as follows:

	<u>Working Capital Business</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<u>March 31, 2015</u>				
<i>Allowance for Loan Losses</i>				
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	<u>\$ 381,147</u>	<u>\$ 628,951</u>	<u>\$ 25,531</u>	<u>\$ 1,035,629</u>
<i>Allowance for Loan Losses</i>				
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
	<u>\$ 381,148</u>	<u>\$ 628,951</u>	<u>\$ 25,530</u>	<u>\$ 1,035,629</u>
<i>Financing Receivables</i>				
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
	<u>\$ 4,701,209</u>	<u>\$ 15,261,045</u>	<u>\$ 750,315</u>	<u>\$ 20,712,569</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 2 LOANS RECEIVABLE (CONTINUED)

<u>March 31, 2014</u>	Working Capital Business	Community Facilities	Affordable Housing	Total
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 464,569	\$ 445,648	\$ 37,165	\$ 947,382
Charge Offs	-	-	-	-
Recoveries	-	-	-	-
Provisions	285,885	(3,749)	(13,347)	268,789
Ending Balance	<u>\$ 750,454</u>	<u>\$ 441,899</u>	<u>\$ 23,818</u>	<u>\$ 1,216,171</u>
<i>Allowance for Loan Losses</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 195,227	\$ 310,690	\$ -	\$ 505,917
Ending Balance: Collectively Evaluated for Impairment	555,227	131,209	23,818	710,254
	<u>\$ 750,454</u>	<u>\$ 441,899</u>	<u>\$ 23,818</u>	<u>\$ 1,216,171</u>
<i>Financing Receivables</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 293,108	\$ 704,181	\$ -	\$ 997,289
Ending Balance: Collectively Evaluated for Impairment	3,910,864	10,157,851	719,581	14,788,296
	<u>\$ 4,203,972</u>	<u>\$10,862,032</u>	<u>\$ 719,581</u>	<u>\$15,785,585</u>

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, 2015, the recorded carrying amount of the property is \$464,107.

During fiscal year 2015, NAF charged off one loan in the amount of \$399,566. Per its policy and practice, NAF had been evaluating the status of this loan periodically and had assigned reserves accordingly. At the time of the charge off, NAF had fully reserved against the potential loss. The balance of the loan loss reserve was reduced by the charge off.

Concentrations

As of March 31, 2015 the principal balance on two loans receivable from Charter Schools Development Corporation was approximately \$3,000,000 or 12% 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.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 3 NOTES PAYABLE

Notes payable consist of loans with stated interest from 1.50% to 4.00%, maturing through 2026. Principal payments on notes payable at March 31, 2015 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2016	\$ 604,963
2017	2,116,810
2018	1,536,359
2019	2,068,941
2020	2,565,833
Thereafter	5,169,180
Total	<u>\$ 14,062,086</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 3.00%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2015 and 2014.

<u>Lines of Credit</u>	<u>Amount</u>
Alerus Financial	\$ 300,000
The Minneapolis Foundation (TMF)	2,000,000
Minnesota Bank & Trust	750,000
Synchrony Financial	1,000,000
Total Lines of Credit	<u>\$ 4,050,000</u>

NOTE 5 RELATED-PARTY TRANSACTIONS

Through an employee services agreement that was in effect until January 1, 2015, NAF reimbursed TMF for salaries, payroll taxes, and benefits of NAF employees. During the years ended March 31, 2015 and 2014, NAF incurred expenses of \$636,921 and \$879,774, respectively, for these 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, 2015. As of March 31, 2015 and 2014, NAF owed TMF \$-0- and \$99,956, respectively, for these services.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 6 RETIREMENT PLAN

After completing at least two years 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). The Plan provides for annual discretionary contributions to eligible employees' SEP-IRA accounts. Retirement plan expense was \$45,598 and \$40,584 for the years ended March 31, 2015 and 2014, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Restricted for Specific Purposes	\$ 703,405	\$ 526,815
Restricted for Use Due to Time	349,088	-
Total	<u>\$ 1,052,493</u>	<u>\$ 526,815</u>

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

	2015	2014
Program Release	\$ 395,410	\$ 1,155,956
Time Release	-	12,500
Total	<u>\$ 395,410</u>	<u>\$ 1,168,456</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 and \$47,907 for the years ended March 31, 2015 and 2014, respectively. In October 2013, NAF entered into a 60-month capital lease agreement for a copier/printer, recording \$10,342 as a fixed asset. As of March 31, 2015 and 2014, accumulated depreciation on the copier/printer was \$2,762 and \$799, respectively. NAF also leases other office equipment under an operating lease, which was renewed in 2013. Total equipment lease expense was \$335 and \$335 for the years ended March 31, 2015 and 2014, respectively.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014**

NOTE 8 LEASE OBLIGATION (CONTINUED)

Future minimum lease payments under all leases as of March 31, 2015 are:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Other</u>	<u>Total</u>
2016	\$ 51,322	\$ 2,244	\$ 196	\$ 53,762
2017	48,581	2,244	-	50,825
2018	-	2,244	-	2,244
2019	-	1,309	-	1,309
2020	-	-	-	-
Future Minimum Payments	<u>99,903</u>	<u>8,041</u>	<u>196</u>	<u>108,140</u>
Less: Interest	<u>-</u>	<u>(461)</u>	<u>-</u>	<u>(461)</u>
Present Value of Future Minimum Payments	<u>\$ 99,903</u>	<u>\$ 7,580</u>	<u>\$ 196</u>	<u>\$ 107,679</u>

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2015**

	Unrestricted			Temporarily Restricted			Total
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 409,671	\$ 364,716	\$ 774,387	\$ 340,489	\$ 62,916	\$ 403,405	\$ 1,177,792
Certificates of Deposit	50,000	328,648	378,648	-	300,000	300,000	678,648
Accounts and Grants Receivable	27,537	-	27,537	349,088	-	349,088	376,625
Loans Receivable, Net of Allow ance of \$228,219	-	5,249,275	5,249,275	-	-	-	5,249,275
Loan Interest Receivable	50,135	-	50,135	-	-	-	50,135
Prepays	33,668	-	33,668	-	-	-	33,668
Total Current Assets	571,011	5,942,639	6,513,650	689,577	362,916	1,052,493	7,566,143
NONCURRENT ASSETS							
Loans Receivable, Net of Allow ance of \$747,409	-	14,427,666	14,427,666	-	-	-	14,427,666
Other Real Estate Ow ned	-	464,107	464,107	-	-	-	464,107
Certificates of Deposit	393,856	159,086	552,942	-	-	-	552,942
Equipment, Net of Depreciation	64,419	-	64,419	-	-	-	64,419
Total Noncurrent Assets	458,275	15,050,859	15,509,134	-	-	-	15,509,134
Total Assets	\$ 1,029,286	\$ 20,993,498	\$ 22,022,784	\$ 689,577	\$ 362,916	\$ 1,052,493	\$ 23,075,277

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2015**

	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	\$ -	\$ 604,963	\$ 604,963	\$ -	\$ -	\$ -	\$ 604,963
Accounts Payable and Accrued Expenses	104,115	5,957	110,072	-	-	-	110,072
Current Portion of Capital Lease Obligation	2,027	-	2,027	-	-	-	2,027
Interest Payable	32,285	-	32,285	-	-	-	32,285
Deferred Revenue	6,145	-	6,145	-	-	-	6,145
Total Current Liabilities	<u>144,572</u>	<u>610,920</u>	<u>755,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,492</u>
LONG TERM LIABILITIES							
Notes Payable, Net of Current Maturities	-	13,357,123	13,357,123	-	-	-	13,357,123
Recoverable Grants	-	100,000	100,000	-	-	-	100,000
Capital Lease Obligations (Net of Current Portion)	5,553	-	5,553	-	-	-	5,553
Total Long-Term Liabilities	<u>5,553</u>	<u>13,457,123</u>	<u>13,462,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,462,676</u>
 Total Liabilities	 150,125	 14,068,043	 14,218,168	 -	 -	 -	 14,218,168
NET ASSETS							
Unrestricted Net Assets:							
Undesignated	879,161	4,925,455	5,804,616	-	-	-	5,804,616
Designated for Lending	-	2,000,000	2,000,000	-	-	-	2,000,000
Total Unrestricted Net Assets	<u>879,161</u>	<u>6,925,455</u>	<u>7,804,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,804,616</u>
Temporarily Restricted Net Assets	-	-	-	689,577	362,916	1,052,493	1,052,493
Total Net Assets	<u>879,161</u>	<u>6,925,455</u>	<u>7,804,616</u>	<u>689,577</u>	<u>362,916</u>	<u>1,052,493</u>	<u>8,857,109</u>
 Total Liabilities and Net Assets	 <u>\$ 1,029,286</u>	 <u>\$ 20,993,498</u>	 <u>\$ 22,022,784</u>	 <u>\$ 689,577</u>	 <u>\$ 362,916</u>	 <u>\$ 1,052,493</u>	 <u>\$ 23,075,277</u>

**NONPROFITS ASSISTANCE FUND
SUPPLEMENTAL INFORMATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2015**

	Unrestricted			Temporarily Restricted			
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	Total
REVENUES							
Gifts and Grants	\$ 148,512	\$ 606,688	\$ 755,200	\$ 796,088	\$ 125,000	\$ 921,088	\$ 1,676,288
Loan Interest Income	936,845	-	936,845	-	-	-	936,845
Loan Fee Revenue	127,973	-	127,973	-	-	-	127,973
Program Revenue	108,175	-	108,175	-	-	-	108,175
Investment Income	17,673	-	17,673	-	-	-	17,673
Other Income	18,553	-	18,553	-	-	-	18,553
Net Assets Released from Restrictions	270,410	125,000	395,410	(258,326)	(137,084)	(395,410)	-
Total Revenues	1,628,141	731,688	2,359,829	537,762	(12,084)	525,678	2,885,507
EXPENSES							
Program Service:							
Program Expenses	1,047,472	-	1,047,472	-	-	-	1,047,472
Interest Expense	269,633	-	269,633	-	-	-	269,633
Provision for Loan Loss Reserve	91,320	125,000	216,320	-	-	-	216,320
Management and General	242,748	-	242,748	-	-	-	242,748
Fundraising	27,693	-	27,693	-	-	-	27,693
Total Expenses	1,678,866	125,000	1,803,866	-	-	-	1,803,866
CHANGE IN NET ASSETS	(50,725)	606,688	555,963	537,762	(12,084)	525,678	1,081,641
Net Assets - Beginning of Year	929,886	6,318,767	7,248,653	151,815	375,000	526,815	7,775,468
NET ASSETS - END OF YEAR	\$ 879,161	\$ 6,925,455	\$ 7,804,616	\$ 689,577	\$ 362,916	\$ 1,052,493	\$ 8,857,109