# THE MINNEAPOLIS FOUNDATION
# AND AFFILIATE

## CONSOLIDATED FINANCIAL STATEMENTS
## AND SUPPLEMENTARY INFORMATION

## YEARS ENDED MARCH 31, 2018 AND 2017

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**AND AFFILIATE**
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**YEARS ENDED MARCH 31, 2018 AND 2017**

# 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 Affiliate, which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, 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.

Board of Trustees
The Minneapolis Foundation

***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 Affiliate as of March 31, 2018 and 2017, 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

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
August 23, 2018

## THE MINNEAPOLIS FOUNDATION
## AND AFFILIATE
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## MARCH 31, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 23,252,137 | $ 19,491,396 |
| Interest and Dividends Receivable | 853,079 | 783,873 |
| Accounts and Pledges Receivable | 2,648,431 | 2,769,850 |
| Prepaids | 119,979 | 242,404 |
| Investments | 704,283,012 | 620,330,204 |
| Other Assets | 733,036 | 718,346 |
| Loans Receivable, Net | 21,876,250 | 17,844,073 |
| Notes Receivable | 35,862,147 | 38,526,720 |
| Beneficial Interest in Trusts | 58,161,006 | 59,238,975 |
| Furniture, Fixtures, Equipment, and Leasehold Improvements (Less Accumulated Depreciation of $2,966,527 and $2,753,595 as of March 31, 2018 and 2017, Respectively) | 2,021,840 | 1,242,665 |
| Total Assets | $ 849,810,917 | $ 761,188,506 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable and Accrued Liabilities | $ 2,601,109 | $ 2,249,606 |
| Grants Payable | 4,984,352 | 3,159,765 |
| Notes Payable | 16,367,647 | 12,145,997 |
| Deferred Lease Credits | 361,788 | 430,332 |
| Amounts Due Beneficiaries | 14,387,393 | 14,115,365 |
| Charitable Funds Held for the Benefit of Others | 34,473,013 | 32,344,005 |
| Total Liabilities | 73,175,302 | 64,445,070 |
| **NET ASSETS** | | |
| Unrestricted | 657,264,598 | 576,640,194 |
| Temporarily Restricted | 83,504,942 | 84,827,331 |
| Permanently Restricted | 35,866,075 | 35,275,911 |
| Total Net Assets | 776,635,615 | 696,743,436 |
| Total Liabilities and Net Assets | $ 849,810,917 | $ 761,188,506 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE MINNEAPOLIS FOUNDATION
# AND AFFILIATE
# CONSOLIDATED STATEMENT OF ACTIVITIES
# YEAR ENDED MARCH 31, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | | |
| Total Amount Raised | $ 103,795,330 | $ 3,886,294 | $ - | $ 107,681,624 |
| Less: Amounts Received for Benefit of Others | 891,826 | - | - | 891,826 |
| Contributions, Net | 102,903,504 | 3,886,294 | - | 106,789,798 |
| | | | | |
| Total Investment Income, Net of Investment Expenses | 50,612,636 | 4,731,048 | - | 55,343,684 |
| Less: Investment Income from Charitable Funds Held for Benefit of Others | 2,717,156 | - | - | 2,717,156 |
| Investment Income, Net | 47,895,480 | 4,731,048 | - | 52,626,528 |
| | | | | |
| Change in Value of Trusts | 20 | 893,215 | 590,164 | 1,483,399 |
| Administrative Service Revenue from Agency Funds and Private Foundations | 460,556 | - | - | 460,556 |
| Note Receivable Interest and Other Income | 4,184,198 | 6,956 | - | 4,191,154 |
| Net Assets Released from Restrictions | 10,839,902 | (10,839,902) | - | - |
| Total Revenues, Gains, and Other Support | 166,283,660 | (1,322,389) | 590,164 | 165,551,435 |
| | | | | |
| **EXPENSES** | | | | |
| Program Services: | | | | |
| Total Grants | 69,254,110 | - | - | 69,254,110 |
| Less: Grants Made for Benefit of Charitable Funds Held | 1,376,897 | - | - | 1,376,897 |
| Grants, Net | 67,877,213 | - | - | 67,877,213 |
| | | | | |
| Program Service Expense | 12,425,905 | - | - | 12,425,905 |
| | | | | |
| Support Services Expense: | | | | |
| Management and General Administrative | 3,412,140 | - | - | 3,412,140 |
| Fund Raising | 1,943,998 | - | - | 1,943,998 |
| Total Expenses | 85,659,256 | - | - | 85,659,256 |
| | | | | |
| **CHANGE IN NET ASSETS** | 80,624,404 | (1,322,389) | 590,164 | 79,892,179 |
| | | | | |
| Net Assets - Beginning of Year | 576,640,194 | 84,827,331 | 35,275,911 | 696,743,436 |
| | | | | |
| **NET ASSETS - END OF YEAR** | $ 657,264,598 | $ 83,504,942 | $ 35,866,075 | $ 776,635,615 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE MINNEAPOLIS FOUNDATION
# AND AFFILIATE
# CONSOLIDATED STATEMENT OF ACTIVITIES
# YEAR ENDED MARCH 31, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | | |
| Total Amount Raised | $ 68,020,555 | $ 17,191,841 | $ - | $ 85,212,396 |
| Less: Amounts Received for Benefit of Others | 4,446,169 | - | - | 4,446,169 |
| Contributions, Net | 63,574,386 | 17,191,841 | - | 80,766,227 |
| Total Investment Income, Net of Investment Expenses | 56,285,539 | 5,693,526 | - | 61,979,065 |
| Less: Investment Income from Charitable Funds Held for Benefit of Others | 2,952,026 | - | - | 2,952,026 |
| Investment Income, Net | 53,333,513 | 5,693,526 | - | 59,027,039 |
| Change in Value of Trusts | 9,889 | 2,855,854 | 801,060 | 3,666,803 |
| Administrative Service Revenue from Agency Funds | 461,528 | - | - | 461,528 |
| Note Receivable Interest and Other Income | 3,579,693 | 12,098 | - | 3,591,791 |
| Net Assets Released from Restrictions | 7,668,455 | (7,668,455) | - | - |
| Total Revenues, Gains, and Other Support | 128,627,464 | 18,084,864 | 801,060 | 147,513,388 |
| **EXPENSES** | | | | |
| Program Services: | | | | |
| Total Grants | 57,840,453 | - | - | 57,840,453 |
| Less: Grants Made for Benefit of Charitable Funds Held | 977,839 | - | - | 977,839 |
| Grants, Net | 56,862,614 | - | - | 56,862,614 |
| Program Service Expense | 9,156,636 | - | - | 9,156,636 |
| Support Services Expense: | | | | |
| Management and General Administrative | 3,145,989 | - | - | 3,145,989 |
| Fund Raising | 1,925,688 | - | - | 1,925,688 |
| Total Expenses | 71,090,927 | - | - | 71,090,927 |
| **CHANGE IN NET ASSETS** | 57,536,537 | 18,084,864 | 801,060 | 76,422,461 |
| Net Assets - Beginning of Year | 519,103,657 | 66,742,467 | 34,474,851 | 620,320,975 |
| **NET ASSETS - END OF YEAR** | $ 576,640,194 | $ 84,827,331 | $ 35,275,911 | $ 696,743,436 |

*See accompanying Notes to Consolidated Financial Statements.*

**THE MINNEAPOLIS FOUNDATION**
**AND AFFILIATE**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**YEARS ENDED MARCH 31, 2018 AND 2017**

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 79,892,179 | $ 76,422,461 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Net Realized Gain on Sale of Investments | (28,709,338) | (6,968,616) |
| Unrealized Gain on Investments | (16,481,440) | (44,912,460) |
| Loss on Sale of Furniture, Fixtures, and Equipment | 1,162 | 31,901 |
| Change in Value of Trusts | (1,483,399) | (3,666,803) |
| Contribution of Beneficial Interest in Trusts | - | (10,000,000) |
| Depreciation and Amortization | 396,837 | 261,693 |
| Change in Assets and Liabilities: | | |
| Interest and Dividends Receivable | (69,206) | 86,417 |
| Accounts and Pledges Receivable | 121,419 | (1,797,476) |
| Prepaids | 122,425 | (171,315) |
| Other Assets | (14,690) | 1,408,750 |
| Notes Receivable | 2,664,573 | 3,968,492 |
| Beneficial Interest in Trusts | 2,375,715 | 1,818,581 |
| Accounts Payable and Accrued Liabilities | 351,503 | 179,206 |
| Grants Payable | 1,824,587 | (1,152,394) |
| Deferred Lease Credits | (68,544) | (50,374) |
| Charitable Funds Held for the Benefit of Others | 2,129,008 | 3,305,740 |
| Net Cash Provided by Operating Activities | 43,052,791 | 18,763,803 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital Expenditures | (1,177,174) | (882,642) |
| (Increase) Decrease in Loans Receivable | (4,032,177) | 1,766,442 |
| Purchases of Securities | (234,797,517) | (111,453,651) |
| Proceeds from the Sale of Securities | 196,493,168 | 98,200,345 |
| Net Cash Used by Investing Activities | (43,513,700) | (12,369,506) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Issuance of Notes Payable | 5,896,624 | 4,705,583 |
| Principal Payments on Notes Payable | (1,674,974) | (4,832,932) |
| Net Cash Provided (Used) by Financing Activities | 4,221,650 | (127,349) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 3,760,741 | 6,266,948 |
| Cash and Cash Equivalents - Beginning of Year | 19,491,396 | 13,224,448 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 23,252,137 | $ 19,491,396 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY** | | |
| Contributions and Pledge Payments of Investment Securities | $ 49,356,765 | $ 34,239,673 |
| Interest Paid During the Year | $ 278,934 | $ 313,388 |

*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 Propel Nonprofits, collectively, the "Foundation," both of which are separate nonprofit corporations located in the Twin Cities. Propel Nonprofits is a Type I affiliate of TMF. In accordance with the Articles of Incorporation of Propel Nonprofits, TMF has the power to exercise sufficient control over Propel Nonprofits to include them in the TMF consolidated financial statements.

The Foundation provides grants and other assistance to Minnesota nonprofit 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 accounting principles generally accepted in the United States of America (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, Propel Nonprofits.

Propel Nonprofits was created as an affiliate of The Minneapolis Foundation on October 1, 1998. In connection, TMF transferred certain net assets to Propel Nonprofits. Propel Nonprofits 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 activities 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, 2018, this set dollar amount from the year ended March 31, 2017 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 is 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.

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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments (Continued)

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 activities. 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 activities. 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 activities. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as unrestricted investment income.

### Loans Receivable (Propel Nonprofits)

The loans receivable consist of notes with interest rates ranging from 2% to 8% with maturities through 2030. The board of directors of Propel Nonprofits 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. Propel Nonprofits provides an allowance for uncollectible loans using the allowance method as well as a specific identification method. Various loans are secured by business assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Loans Receivable (Propel Nonprofits) (Continued)

There are three categories of loans receivable as of March 31, 2018 and 2017:

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 generally capitalized greater than $3,000. Leasehold improvements are depreciated over the life of the improvement or the term of the lease, whichever is shorter.

### 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Notes Payable with Below-Market Interest Rates (Propel Nonprofits)

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 Propel Nonprofits' portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2018 and 2017.

### 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 had therefore recognized this as a receivable which has subsequently been received. 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 $361,788 and $430,332 at March 31, 2018 and 2017, 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.

### 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

In May 2017, Propel Nonprofits submitted notification to the IRS to reclassify its status to that of an organization described in Code Sections 509(a)(1) and 170(B)(1)(A)(vi), a change from its original Type I supporting organization status. Propel Nonprofits received an updated determination letter from the IRS dated November 15, 2017 confirming that the organization was determined to be a public charity.

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, 2017 and 2018, there was a concentration from one donor for 12.4% and 13.89% of the total contributions, respectively.

**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:

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair Value Measurement (Continued)

- 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.

### 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derivative Financial Instruments (Continued)

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, 2018 and 2017, the Foundation owned 188 and 169 contracts with a notional exposure of $17,886,394 and $16,244,902, respectively. The notional exposure is included in the Foundation's investment portfolio. Gains for these futures were $685,963 and $761,526 for the years ended March 31, 2018 and 2017, respectively.

### Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through August 23, 2018, the date the consolidated financial statements were available to be issued.

## NOTE 2 INVESTMENTS

Investments consist of the following at March 31:

| | 2018 | 2017 |
|---|---|---|
| Cash and Cash Equivalents | $ 67,108,976 | $ 69,328,248 |
| Large and Mid Cap Domestic Equities and Equity Futures | 166,261,006 | 177,883,739 |
| Small Cap Domestic Equities and Equity Futures | 55,905,815 | 48,713,543 |
| Non-US Equities and Equity Futures | 199,934,315 | 126,635,553 |
| Domestic Fixed Income Obligations and Fixed Income Futures | 60,799,330 | 44,081,230 |
| High Yield Fixed Income Obligations and Fixed Income Futures | 18,563,951 | 17,967,419 |
| Global Fixed Income Obligations and Fixed Income Futures | 28,210,509 | 23,300,081 |
| Real Estate | 20,699,497 | 22,651,290 |
| Long/Short Hedge Funds | 15,969,484 | 29,355,838 |
| Multi-Strategy Hedge Funds | 37,317,591 | 33,755,508 |
| Commodities | 2,942,983 | 3,085,430 |
| Private Equity and Venture Capital | 28,724,705 | 23,037,695 |
| Closely Held Stock | 1,844,850 | 534,630 |
| Total Investments | $ 704,283,012 | $ 620,330,204 |

## NOTE 2 INVESTMENTS (CONTINUED)

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:

| | 2018 | 2017 |
|---|---|---|
| Interest and Dividend Income | $ 10,467,608 | $ 9,914,947 |
| Realized Gains on Investments | 28,709,338 | 6,968,616 |
| Unrealized Gains on Investments | 16,481,440 | 44,912,460 |
| Investment Expenses | (3,031,858) | (2,768,984) |
| Total | $ 52,626,528 | $ 59,027,039 |

## NOTE 3 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of March 31, 2018 are:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments: | | | | |
| Large and Mid Cap Domestic Equities and Equity Futures | $ 144,910,226 | $ - | $ - | $ 144,910,226 |
| Small Cap Domestic Equities and Equity Futures | 55,905,815 | - | - | 55,905,815 |
| Non-US Equities and Equity Futures | 42,474,165 | - | - | 42,474,165 |
| Domestic Fixed Income Obligations and Fixed Income Futures | 60,799,330 | - | - | 60,799,330 |
| High Yield Fixed Income Obligations and Fixed Income Futures | 2,845,377 | - | - | 2,845,377 |
| Global Fixed Income Obligations and Fixed Income Futures | 3,288,071 | - | | 3,288,071 |
| Real Estate | 13,244,577 | - | - | 13,244,577 |
| Long/Short Hedge Funds | 2,873,232 | - | - | 2,873,232 |
| Multi-Strategy Hedge Funds | 2,052,287 | - | - | 2,052,287 |
| Commodities | 1,502,761 | - | - | 1,502,761 |
| Closely Held Stock | - | - | 1,844,850 | 1,844,850 |
| Total Investments at Fair Value | 329,895,841 | - | 1,844,850 | 331,740,691 |
| Cash and Cash Equivalents | - | - | - | 67,108,976 |
| Investments Measured at Net Asset Value or its Equivalent | - | - | - | 302,286,530 |
| Investments Recorded at Cost | - | - | - | 3,146,815 |
| Total Investments | - | - | - | 704,283,012 |
| Beneficial Interest in Trusts | - | - | 58,161,006 | 58,161,006 |
| Total | $ 329,895,841 | $ - | $ 60,005,856 | $ 762,444,018 |

## NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis as of March 31, 2017 are:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments: | | | | |
| Large and Mid Cap Domestic Equities and Equity Futures | $ 152,514,936 | $ 7,741,835 | $ - | $ 160,256,771 |
| Small Cap Domestic Equities and Equity Futures | 48,713,543 | - | - | 48,713,543 |
| Non-US Equities and Equity Futures | 33,269,370 | - | - | 33,269,370 |
| Domestic Fixed Income Obligations and Fixed Income Futures | 44,081,230 | - | - | 44,081,230 |
| High Yield Fixed Income Obligations and Fixed Income Futures | 4,084,384 | - | - | 4,084,384 |
| Global Fixed Income Obligations and Fixed Income Futures | 1,868,826 | - | - | 1,868,826 |
| Real Estate | 13,009,703 | - | - | 13,009,703 |
| Long/Short Hedge Funds | 2,046,654 | - | - | 2,046,654 |
| Multi-Strategy Hedge Funds | 1,091,846 | - | - | 1,091,846 |
| Commodities | 1,544,275 | - | - | 1,544,275 |
| Closely Held Stock | - | - | 534,630 | 534,630 |
| Total Investments at Fair Value | 302,224,767 | 7,741,835 | 534,630 | 310,501,232 |
| Cash and Cash Equivalents | - | - | - | 69,328,248 |
| Investments Measured at Net Asset Value or its Equivalent | - | - | - | 237,634,814 |
| Investments Recorded at Cost | - | - | - | 2,865,910 |
| Total Investments | - | - | - | 620,330,204 |
| Beneficial Interest in Trusts | - | - | 59,238,975 | 59,238,975 |
| Total | $ 302,224,767 | $ 7,741,835 | $ 59,238,975 | $ 679,569,179 |

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, 2018 and 2017:

| | Closely Held Stock | |
|---|---|---|
| | 2018 | 2017 |
| Balance as of April 1 | $ 534,630 | $ - |
| Additions | 1,094,360 | 534,630 |
| Unrealized Gains | 215,860 | - |
| Balance as of March 31 | $ 1,844,850 | $ 534,630 |

| | Beneficial Interest in Trusts | |
|---|---|---|
| | 2018 | 2017 |
| Balance as of April 1 | $ 59,238,975 | $ 48,369,106 |
| Additions | - | 10,000,000 |
| Change in Value of Trusts | (2,087,495) | (218,216) |
| Change in Beneficial Interest in Trusts | 1,009,526 | 1,088,085 |
| Balance as of March 31 | $ 58,161,006 | $ 59,238,975 |

## 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, 2018 and 2017:

| March 31, 2018 | Net Asset Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Domestic Equity/Large Cap and Mid Cap | $ 11,723,623 | $ - | Quarterly | 90 days |
| Domestic Equity/Large Cap and Mid Cap | 9,627,157 | - | Daily | 1 day |
| Non-US Equities | 22,361,460 | - | Quarterly | 90 Days |
| Non-US Equities | 135,098,690 | - | Monthly | 5-30 Days |
| Global Fixed Income Obligations | 24,922,438 | - | Monthly | 10 Days |
| High Yield Fixed Income Obligations | 15,718,574 | - | Monthly | 45 Days |
| Long/Short Hedge Funds | 3,927,322 | - | Monthly | 90 Days |
| Long/Short Hedge Funds | 9,168,930 | - | Quarterly | 60 Days |
| Real Estate | 7,352,798 | 12,426,952 | N/A | N/A |
| Multi-Strategy Hedge Funds | 21,466,590 | - | Quarterly | 60 days |
| Multi-Strategy Hedge Funds | 13,798,714 | - | Annual | 95 Days |
| Commodities | 1,440,222 | 5,825,034 | N/A | N/A |
| Private Equity and Venture Capital | 25,680,012 | 30,824,739 | N/A | N/A |
| Total | $ 302,286,530 | $ 49,076,725 | | |

| March 31, 2017 | Net Asset Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Domestic Equity/Large Cap and Mid Cap | $ 11,082,852 | - | Quarterly | 90 days |
| Domestic Equity/Large Cap and Mid Cap | 6,544,116 | - | Daily | 1 day |
| Non-US Equities | 93,366,183 | - | Monthly | 5-30 days |
| Global Fixed Income Obligations | 21,431,255 | - | Monthly | 10 Days |
| High Yield Fixed Income Obligations | 13,883,035 | - | Monthly | 30 Days |
| Long/Short Hedge Funds | 19,065,826 | - | Monthly | 7-90 Days |
| Long/Short Hedge Funds | 8,243,358 | - | Quarterly | 60 Days |
| Real Estate | 9,539,465 | 4,554,957 | N/A | N/A |
| Multi-Strategy Hedge Funds | 12,996,463 | - | Annual | 95 days |
| Multi-Strategy Hedge Funds | 19,667,199 | - | Quarterly | 60 days |
| Commodities | 1,541,155 | 445,163 | N/A | N/A |
| Private Equity and Venture Capital | 20,273,907 | 53,116,976 | N/A | N/A |
| Total | $ 237,634,814 | $ 58,117,096 | | |

## NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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 (PROPEL NONPROFITS)

Loans receivable at March 31, 2018 and 2017 were comprised of the following:

| | 2018 | 2017 |
|---|---|---|
| Working Capital / Business | $ 5,945,832 | $ 5,270,845 |
| Working Capital / Equity Builder | 1,464,388 | 443,937 |
| Community Facilities | 14,091,045 | 12,233,289 |
| Affordable Housing | 1,855,987 | 835,164 |
| Subtotal | 23,357,252 | 18,783,235 |
| Allowance for Loan Losses | (1,481,002) | (939,162) |
| Loans Receivable, Net | $ 21,876,250 | $ 17,844,073 |

Anticipated principal payments on loans receivable as of March 31, 2018 are as follows:

| Year Ending March 31, | Amount |
|---|---|
| 2019, Net of Allowance of $433,745 | $ 6,505,027 |
| 2020 through 2023, Net of Allowance of $880,941 | 11,931,851 |
| Thereafter, Net of Allowance of $166,316 | 3,439,372 |
| Total | $ 21,876,250 |

Propel Nonprofits has the following commitments as of March 31, 2018:

| | |
|---|---|
| Available Nonrevolving Lines of Credit, with Maturities to 2019 | $ 48,463 |
| Available Lines of Credit, with Maturities through 2020 | 2,863,465 |
| Term Loans Originated but Not Fully Disbursed as of Year-End | 400,000 |
| Total Commitments | $ 3,311,928 |

The following tables present the aging of past due loans by loan segment as of March 31, 2018 and 2017:

| As of March 31, 2018 | Current | 31-60 Days Past Due | 61-90 Days Past Due | 90+ Days Past Due | Total | Nonaccruing Loans |
|---|---|---|---|---|---|---|
| Working Capital / Business | $ 5,595,832 | $ - | $ - | $ 350,000 | $ 5,945,832 | $ - |
| Working Capital/Equity Builder | 1,464,388 | - | - | - | 1,464,388 | - |
| Community Facilities | 13,299,041 | - | - | 792,004 | 14,091,045 | - |
| Affordable Housing | 1,855,987 | - | - | - | 1,855,987 | - |
| Total | $ 22,215,248 | $ - | $ - | $ 1,142,004 | $ 23,357,252 | $ - |

| As of March 31, 2017 | Current | 31-60 Days Past Due | 61-90 Days Past Due | 90+ Days Past Due | Total | Nonaccruing Loans |
|---|---|---|---|---|---|---|
| Working Capital / Business | $ 5,091,345 | $ 179,500 | $ - | $ - | $ 5,270,845 | $ - |
| Working Capital/Equity Builder | 443,937 | - | - | - | 443,937 | - |
| Community Facilities | 12,233,289 | - | - | - | 12,233,289 | |
| Affordable Housing | 835,164 | - | - | - | 835,164 | - |
| Total | $ 18,603,735 | $ 179,500 | $ - | $ - | $ 18,783,235 | $ - |

## NOTE 4 LOANS RECEIVABLE (PROPEL NONPROFITS) (CONTINUED)

Propel Nonprofits 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, 2018 | Pass | Watch | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| Working Capital / Business | $ 5,548,045 | $ 247,787 | $ 150,000 | $ | $ 5,945,832 |
| Working Capital/Equity Builder | 1,464,388 | - | - | - | 1,464,388 |
| Community Facilities | 12,972,854 | 792,004 | 326,185 | - | 14,091,043 |
| Affordable Housing | 1,855,989 | - | - | - | 1,855,989 |
| Total | $ 21,841,276 | $ 1,039,791 | $ 476,185 | $ - | $ 23,357,252 |
| Current | $ 21,841,276 | $ 47,787 | $ 326,185 | $ - | $ 22,215,248 |
| Past Due 31-60 Days | - | - | - | - | - |
| Past Due 61-90 Days | - | - | - | - | - |
| Past Due 90 + Days | - | 992,004 | 150,000 | - | 1,142,004 |
| Total | $ 21,841,276 | $ 1,039,791 | $ 476,185 | $ - | $ 23,357,252 |

| As of March 31, 2017 | Pass | Watch | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| Working Capital / Business | $ 4,668,604 | $ 572,741 | $ 29,500 | $ | $ 5,270,845 |
| Working Capital/Equity Builder | 443,937 | - | - | - | 443,937 |
| Community Facilities | 11,767,119 | 466,170 | - | - | 12,233,289 |
| Affordable Housing | 835,164 | - | - | - | 835,164 |
| Total | $ 17,714,824 | $ 1,038,911 | $ 29,500 | $ - | $ 18,783,235 |
| Current | $ 17,564,824 | $ 1,038,911 | $ - | $ - | $ 18,603,735 |
| Past Due 31-60 Days | 150,000 | - | 29,500 | - | 179,500 |
| Past Due 61-90 Days | - | - | - | - | - |
| Past Due 90 + Days | - | - | - | - | - |
| Total | $ 17,714,824 | $ 1,038,911 | $ 29,500 | $ - | $ 18,783,235 |

### 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 (PROPEL NONPROFITS) (CONTINUED)

### Allowance for Loan Losses (Continued)

Activity in the loan loss reserve for the years ended March 31, 2018 and 2017 was as follows:

| March 31, 2018 | Working Capital Business | Working Capital Equity/Builder | Community Facilities | Affordable Housing | Total |
|---|---|---|---|---|---|
| *Allowance for Loan Losses* | | | | | |
| Beginning Balance | $ 340,671 | $ 23,162 | $ 538,012 | $ 37,317 | $ 939,162 |
| Charge Offs | (304,126) | - | - | - | (304,126) |
| Recoveries | 500 | - | - | - | 500 |
| Provisions | 269,061 | 42,783 | 495,271 | 38,351 | 845,466 |
| Ending Balance | $ 306,106 | $ 65,945 | $ 1,033,283 | $ 75,668 | $ 1,481,002 |
| *Allowance for Loan Losses* | | | | | |
| Ending Balance: Individually Evaluated for Impairment | $ 24,779 | $ - | $ 467,503 | $ - | $ 492,282 |
| Ending Balance: Collectively Evaluated for Impairment | 281,330 | 65,945 | 565,779 | 75,666 | 988,720 |
| Total | $ 306,109 | $ 65,945 | $ 1,033,282 | $ 75,666 | $ 1,481,002 |
| *Financing Receivables* | | | | | |
| Ending Balance: Individually Evaluated for Impairment | $ 397,787 | $ - | $ 1,118,191 | $ - | $ 1,515,978 |
| Ending Balance: Collectively Evaluated for Impairment | 5,548,045 | 1,464,388 | 12,972,854 | 1,855,987 | 21,841,274 |
| Total | $ 5,945,832 | $ 1,464,388 | $ 14,091,045 | $ 1,855,987 | $ 23,357,252 |

| March 31, 2017 | Working Capital Business | Working Capital Equity/Builder | Community Facilities | Affordable Housing | Total |
|---|---|---|---|---|---|
| *Allowance for Loan Losses* | | | | | |
| Beginning Balance | $ 317,657 | $ - | $ 706,405 | $ 27,207 | $ 1,051,269 |
| Charge Offs | (223,117) | - | (142,896) | - | (366,013) |
| Recoveries | 5,010 | - | - | - | 5,010 |
| Provisions | 241,121 | 23,162 | (25,497) | 10,110 | 248,896 |
| Ending Balance | $ 340,671 | $ 23,162 | $ 538,012 | $ 37,317 | $ 939,162 |
| *Allowance for Loan Losses* | | | | | |
| Ending Balance: Individually Evaluated for Impairment | $ 39,500 | $ - | $ - | $ - | $ 39,500 |
| Ending Balance: Collectively Evaluated for Impairment | 301,172 | 23,162 | 538,011 | 37,317 | 899,662 |
| Total | $ 340,672 | $ 23,162 | $ 538,011 | $ 37,317 | $ 939,162 |
| *Financing Receivables* | | | | | |
| Ending Balance: Individually Evaluated for Impairment | $ 602,241 | $ - | $ 466,170 | $ - | $ 1,068,411 |
| Ending Balance: Collectively Evaluated for Impairment | 4,668,604 | 443,937 | 11,767,119 | 835,164 | 17,714,824 |
| Total | $ 5,270,845 | $ 443,937 | $ 12,233,289 | $ 835,164 | $ 18,783,235 |

## NOTE 4 LOANS RECEIVABLE (PROPEL NONPROFITS) (CONTINUED)

**Allowance for Loan Losses (Continued)**

On April 30, 2014, Propel Nonprofits received a deed for property in lieu of foreclosure from a borrower in Princeton, Minnesota. 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, Propel Nonprofits recorded the property as Other Real Estate Owned. The property was 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. On December 9, 2016, the property sold for $493,507. At the time of sale, a gain of $31,901 was recognized on the consolidated statement of activities for the year ended March 31, 2017.

On November 21, 2016, Propel Nonprofits received a deed for property in lieu of foreclosure from a borrower in West Concord, Minnesota. As of the acquisition date, Propel Nonprofits 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, 2018, the recorded carrying amount is $60,811.

During fiscal year 2018, Propel Nonprofits charged off two loans in the amount of $304,126. Per its policy and practice, Propel Nonprofits had been evaluating the status of this loan periodically and had assigned reserves accordingly. At the time of the charge off, Propel Nonprofits had fully reserved against the potential loss. The balance of the loan loss reserve was reduced by the charge off.

During fiscal year 2018, Propel Nonprofits received a payment of $500 towards a loan balance that had been written off in a previous year. This amount is considered a recovery and the loan loss reserve is increased accordingly.

## 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, 2018 and 2017, there were no past due amounts and an allowance was not warranted.

## NOTE 6 NOTES PAYABLE (PROPEL NONPROFITS)

Notes payable consist of loans with stated interest from 1.5% to 4.0%, maturing through 2026. Principal payments on notes payable are as follows:

| Year Ending March 31, | Amount |
|---|---|
| 2019 | $ 1,458,207 |
| 2020 | 484,333 |
| 2021 | 770,475 |
| 2022 | 3,504,761 |
| 2023 | 4,960,051 |
| Thereafter | 5,189,820 |
| Total | $ 16,367,647 |

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

## NOTE 7 LINES OF CREDIT (PROPEL NONPROFITS)

Propel Nonprofits 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 2.75%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2018 and 2017.

| Lines of Credit | Amount |
|---|---|
| The Minneapolis Foundation (TMF) | $ 2,000,000 |
| Minnesota Bank & Trust | 2,000,000 |
| Synchrony Financial | 2,000,000 |
| Total Lines of Credit | $ 6,000,000 |

## 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 | 2018 | 2017 |
|---|---|---|
| 2019 | $ 3,192,362 | $ 2,265,774 |
| 2020 | 934,744 | 407,149 |
| 2021 | 654,244 | 310,500 |
| 2022 | 171,000 | 260,000 |
| Thereafter | 200,000 | - |
| Subtotal | 5,152,350 | 3,243,423 |
| Discount (5%) | (167,998) | (83,658) |
| Total | $ 4,984,352 | $ 3,159,765 |

## NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

| | 2018 | 2017 |
|---|---|---|
| Temporarily Restricted: | | |
| Restricted for Programs | $ 31,161,815 | $ 31,001,726 |
| Split-Interest Agreements | 52,343,127 | 53,825,605 |
| Total Temporarily Restricted | $ 83,504,942 | $ 84,827,331 |
| | | |
| Permanently Restricted: | | |
| Permanent Endowment | $ 20,252,842 | $ 20,252,842 |
| Beneficial Interest in Perpetual Trusts | 15,613,233 | 15,023,069 |
| Total Permanently Restricted | $ 35,866,075 | $ 35,275,911 |

## NOTE 10 ENDOWMENT

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

| | 2018 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor Designated Endowment Funds | $ - | $ 21,203,663 | $ 20,252,842 | $ 41,456,505 |
| Other Endowment Funds | 252,200,566 | - | - | 252,200,566 |
| Total Endowment Funds | $ 252,200,566 | $ 21,203,663 | $ 20,252,842 | $ 293,657,071 |

| | 2017 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor Designated Endowment Funds | $ - | $ 19,217,893 | $ 20,252,842 | $ 39,470,735 |
| Other Endowment Funds | 234,530,102 | - | - | 234,530,102 |
| Total Endowment Funds | $ 234,530,102 | $ 19,217,893 | $ 20,252,842 | $ 274,000,837 |

Other endowments funds include funds that are subject to the Foundation's spending policy under gift agreements or through board designation 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.

## NOTE 10 ENDOWMENT (CONTINUED)

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 $-0- and $5,385 as of March 31, 2018 and 2017, respectively.

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

| | 2018 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, Beginning of Year | $ 234,530,102 | $ 19,217,893 | $ 20,252,842 | $ 274,000,837 |
| Contributions | 3,555,470 | - | - | 3,555,470 |
| Investment Income, Net | 23,963,408 | 4,080,846 | - | 28,044,254 |
| Amounts Appropriated for Expenditure | (9,848,414) | (2,095,076) | - | (11,943,490) |
| Transfer of Earnings | - | - | - | - |
| Endowment Fund Balance, March 31, 2018 | $ 252,200,566 | $ 21,203,663 | $ 20,252,842 | $ 293,657,071 |

| | 2017 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, Beginning of Year | $ 203,931,137 | $ 16,146,922 | $ 20,252,842 | $ 240,330,901 |
| Contributions | 1,063,290 | - | - | 1,063,290 |
| Investment Income, Net | 26,027,720 | 4,900,594 | - | 30,928,314 |
| Amounts Appropriated for Expenditure | 3,502,570 | (1,824,238) | - | 1,678,332 |
| Transfer of Earnings | 5,385 | (5,385) | - | - |
| Endowment Fund Balance, March 31, 2017 | $ 234,530,102 | $ 19,217,893 | $ 20,252,842 | $ 274,000,837 |

## 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 2018. Total rentals paid during fiscal years 2018 and 2017 were $439,825 and $404,000, respectively.

## NOTE 11 OPERATING LEASE (CONTINUED)

Future minimum lease payments at March 31 are as follows:

| Year Ending March 31, | Amount |
|---|---|
| 2019 | $ 437,212 |
| 2020 | 458,616 |
| 2021 | 474,214 |
| 2022 | 486,342 |
| 2023 | 135,942 |
| Thereafter | 685,421 |
| Total Future Minimum Lease Payments | $ 2,677,747 |

## 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 2018 and 2017, the discretionary contribution percentage was 8% of employees' compensation, respectively. Retirement plan expense was $402,128 and $394,182 for the years ended March 31, 2018 and 2017, respectively.

## NOTE 13 RELATED PARTY TRANSACTIONS

As an affiliate of TMF, Propel Nonprofits pays for a share of certain business and liability insurance expenses covered by blanket policies held by TMF. TMF made grants to Propel Nonprofits totaling $205,000 and $50,000 during the years ended March 31, 2018 and 2017, respectively, for leadership and financial capacity building.

TMF has two promissory note agreements with Propel Nonprofits for purposes of extending loans to local nonprofit organizations. Both notes bear interest at 2% annually. The due dates on the notes were January 1, 2017 and January 1, 2018, and the amounts outstanding were $1,000,000 and $815,500, both of which were fully paid when due. The $1,000,000 note was paid back to TMF during the year ended March 31, 2017. In addition, a new $1,000,000 promissory note agreement was signed with Propel Nonprofits during the 2018 year, bearing interest at 2% annually and due on July 17, 2024.

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

**THE MINNEAPOLIS FOUNDATION**
**AND AFFILIATE**
**CONSOLIDATING SCHEDULE FOR THE STATEMENT OF FINANCIAL POSITION**
**MARCH 31, 2018**
**(UNAUDITED)**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | TMF | Propel Nonprofits | Eliminations | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 16,375,110 | $ 6,877,027 | $ - | $ 23,252,137 |
| Interest and Dividends Receivable | 773,575 | 79,504 | - | 853,079 |
| Accounts and Pledges Receivable | 979,831 | 1,668,600 | - | 2,648,431 |
| Prepaids | 28,749 | 91,230 | - | 119,979 |
| Investments | 703,889,019 | 393,993 | - | 704,283,012 |
| Other Assets | 672,225 | 60,811 | - | 733,036 |
| Loans Receivable, Net | - | 21,876,250 | - | 21,876,250 |
| Notes Receivable | 36,862,147 | - | (1,000,000) | 35,862,147 |
| Beneficial Interest in Trusts | 58,161,006 | - | - | 58,161,006 |
| Furniture, Fixtures, and Equipment (Less Accumulated Depreciation) | 944,088 | 1,077,752 | - | 2,021,840 |
| Total Assets | $ 818,685,750 | $ 32,125,167 | $ (1,000,000) | $ 849,810,917 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **LIABILITIES** | | | | |
| Accounts Payable and Accrued Liabilities | $ 873,902 | $ 1,727,207 | $ - | $ 2,601,109 |
| Grants Payable | 4,984,352 | - | - | 4,984,352 |
| Notes Payable | - | 17,367,647 | (1,000,000) | 16,367,647 |
| Deferred Lease Credits | 361,788 | - | - | 361,788 |
| Amounts Due Beneficiaries | 14,387,393 | - | - | 14,387,393 |
| Charitable Funds Held for the Benefit of Others | 34,473,013 | - | - | 34,473,013 |
| Total Liabilities | 55,080,448 | 19,094,854 | (1,000,000) | 73,175,302 |
| **NET ASSETS** | | | | |
| Unrestricted: | | | | |
| Undesignated | 646,744,821 | 10,519,777 | - | 657,264,598 |
| Temporarily Restricted | 80,994,406 | 2,510,536 | - | 83,504,942 |
| Permanently Restricted | 35,866,075 | - | - | 35,866,075 |
| Total Net Assets | 763,605,302 | 13,030,313 | - | 776,635,615 |
| Total Liabilities and Net Assets | $ 818,685,750 | $ 32,125,167 | $ (1,000,000) | $ 849,810,917 |

# THE MINNEAPOLIS FOUNDATION
# AND AFFILIATE
# CONSOLIDATING SCHEDULE FOR THE STATEMENT OF FINANCIAL POSITION
# MARCH 31, 2017
### (UNAUDITED)
### (SEE INDEPENDENT AUDITORS' REPORT)

| | TMF | Propel Nonprofits | Eliminations | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 12,078,092 | $ 7,413,304 | $ - | $ 19,491,396 |
| Interest and Dividends Receivable | 749,940 | 33,933 | - | 783,873 |
| Accounts and Pledges Receivable | 802,916 | 1,966,934 | - | 2,769,850 |
| Prepaids | 41,621 | 200,783 | - | 242,404 |
| Investments | 619,900,228 | 429,976 | - | 620,330,204 |
| Other Assets | 657,535 | 60,811 | - | 718,346 |
| Loans Receivable, Net | - | 17,844,073 | - | 17,844,073 |
| Notes Receivable | 39,342,220 | - | (815,500) | 38,526,720 |
| Beneficial Interest in Trusts | 59,238,975 | - | - | 59,238,975 |
| Furniture, Fixtures, and Equipment (Less Accumulated Depreciation) | 1,136,514 | 106,151 | - | 1,242,665 |
| Total Assets | $ 733,948,041 | $ 28,055,965 | $ (815,500) | $ 761,188,506 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **LIABILITIES** | | | | |
| Accounts Payable and Accrued Liabilities | $ 1,024,847 | $ 1,224,759 | $ - | $ 2,249,606 |
| Grants Payable | 3,159,765 | - | - | 3,159,765 |
| Notes Payable | - | 12,961,497 | (815,500) | 12,145,997 |
| Deferred Lease Credits | 430,332 | - | - | 430,332 |
| Amounts Due Beneficiaries | 14,115,365 | - | - | 14,115,365 |
| Charitable Funds Held for the Benefit of Others | 32,344,005 | - | - | 32,344,005 |
| Total Liabilities | 51,074,314 | 14,186,256 | (815,500) | 64,445,070 |
| **NET ASSETS** | | | | |
| Unrestricted: | | | | |
| Undesignated | 567,471,433 | 9,168,761 | - | 576,640,194 |
| Temporarily Restricted | 80,126,383 | 4,700,948 | - | 84,827,331 |
| Permanently Restricted | 35,275,911 | - | - | 35,275,911 |
| Total Net Assets | 682,873,727 | 13,869,709 | - | 696,743,436 |
| Total Liabilities and Net Assets | $ 733,948,041 | $ 28,055,965 | $ (815,500) | $ 761,188,506 |

**THE MINNEAPOLIS FOUNDATION**
**AND AFFILIATE**
**CONSOLIDATING SCHEDULE FOR THE STATEMENT OF ACTIVITIES**
**YEAR ENDED MARCH 31, 2018**
**(UNAUDITED)**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | TMF | | | Propel Nonprofits | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Unrestricted | Temporarily Restricted | Eliminations | Unrestricted | Temporarily Restricted | Permanently Restricted |
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | | | | | | | |
| Total Amount Raised | $ 103,663,876 | $ 550,000 | $ - | 336,454 | $ 3,336,294 | $ (205,000) | $ 103,795,330 | $ 3,886,294 | $ - |
| Less: Amounts Received for Benefit of Others | 891,826 | - | - | - | - | - | 891,826 | - | - |
| Contributions, Net | 102,772,050 | 550,000 | - | 336,454 | 3,336,294 | (205,000) | 102,903,504 | 3,886,294 | - |
| Total Investment Income, Net | 50,607,974 | 4,731,048 | - | 21,032 | - | (16,370) | 50,612,636 | 4,731,048 | - |
| Less: Investment from Charitable Funds Held for Benefit of Others | 2,717,156 | - | - | - | - | - | 2,717,156 | - | - |
| Investment Income, Net | 47,890,818 | 4,731,048 | - | 21,032 | - | (16,370) | 47,895,480 | 4,731,048 | - |
| Change in Value of Trusts | 20 | 893,215 | 590,164 | - | - | - | 20 | 893,215 | 590,164 |
| Administrative Service Revenue from Agency Funds and Private Foundations | 460,556 | - | - | - | - | - | 460,556 | - | - |
| Note Receivable Interest and Other Income | 1,754,906 | 6,956 | - | 2,429,292 | - | - | 4,184,198 | 6,956 | - |
| Net Assets Released from Restrictions | 5,313,196 | (5,313,196) | - | 5,526,706 | (5,526,706) | - | 10,839,902 | (10,839,902) | - |
| Total Revenues, Gains, and Other Support | 158,191,546 | 868,023 | 590,164 | 8,313,484 | (2,190,412) | (221,370) | 166,283,660 | (1,322,389) | 590,164 |
| **EXPENSES** | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Total Grants | 69,459,110 | - | - | - | - | (205,000) | 69,254,110 | - | - |
| Less: Grants Made for Benefit of Charitable Funds Held | 1,376,897 | - | - | - | - | - | 1,376,897 | - | - |
| Grants, Net | 68,082,213 | - | - | - | - | (205,000) | 67,877,213 | - | - |
| Program Service Expense | 6,205,191 | - | - | 6,220,714 | - | - | 12,425,905 | - | - |
| Support Services: | | | | | | | | | |
| Management and General Administrative Expense | 2,773,631 | - | - | 654,879 | - | (16,370) | 3,412,140 | - | - |
| Fund Raising | 1,857,123 | - | - | 86,875 | - | - | 1,943,998 | - | - |
| Total Expenses | 78,918,158 | - | - | 6,962,468 | - | (221,370) | 85,659,256 | - | - |
| **TOTAL CHANGE IN NET ASSETS** | 79,273,388 | 868,023 | 590,164 | 1,351,016 | (2,190,412) | - | 80,624,404 | (1,322,389) | 590,164 |
| Net Assets - Beginning of Year | 567,471,433 | 80,126,383 | 35,275,911 | 9,168,761 | 4,700,948 | - | 576,640,194 | 84,827,331 | 35,275,911 |
| **NET ASSETS - END OF YEAR** | $ 646,744,821 | $ 80,994,406 | $ 35,866,075 | $ 10,519,777 | $ 2,510,536 | $ - | $ 657,264,598 | $ 83,504,942 | $ 35,866,075 |

# THE MINNEAPOLIS FOUNDATION
# AND AFFILIATE
# CONSOLIDATING SCHEDULE FOR THE STATEMENT OF ACTIVITIES
# YEAR ENDED MARCH 31, 2017
### (UNAUDITED)
### (SEE INDEPENDENT AUDITORS' REPORT)

| | TMF | | | Propel Nonprofits | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Unrestricted | Temporarily Restricted | Eliminations | Unrestricted | Temporarily Restricted | Permanently Restricted |
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | | | | | | | |
| Total Amount Raised | $ 67,322,270 | $ 10,647,750 | $ - | $ 748,285 | $ 6,544,091 | $ (50,000) | $ 68,020,555 | $ 17,191,841 | $ - |
| Less: Amounts Received for Benefit of Others | 4,446,169 | - | - | - | - | - | 4,446,169 | - | - |
| Contributions, Net | 62,876,101 | 10,647,750 | - | 748,285 | 6,544,091 | (50,000) | 63,574,386 | 17,191,841 | - |
| Total Investment Income, Net | 56,309,153 | 5,693,526 | - | 13,904 | - | (37,518) | 56,285,539 | 5,693,526 | - |
| Less: Investment from Charitable Funds Held for Benefit of Others | 2,952,026 | - | - | - | - | - | 2,952,026 | - | - |
| Investment Income, Net | 53,357,127 | 5,693,526 | - | 13,904 | - | (37,518) | 53,333,513 | 5,693,526 | - |
| Change in Value of Trusts | 9,889 | 2,855,854 | 801,060 | - | - | - | 9,889 | 2,855,854 | 801,060 |
| Administrative Service Revenue from Agency Funds | 461,528 | - | - | - | - | - | 461,528 | - | - |
| Note Receivable Interest and Other Income | 1,991,969 | 12,098 | - | 1,587,724 | - | - | 3,579,693 | 12,098 | - |
| Net Assets Released from Restrictions | 5,284,092 | (5,284,092) | - | 2,384,363 | (2,384,363) | - | 7,668,455 | (7,668,455) | - |
| Total Revenues, Gains, and Other Support | 123,980,706 | 13,925,136 | 801,060 | 4,734,276 | 4,159,728 | (87,518) | 128,627,464 | 18,084,864 | 801,060 |
| **EXPENSES** | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Total Grants | 57,890,453 | - | - | - | - | (50,000) | 57,840,453 | - | - |
| Less: Grants Made for Benefit of Charitable Funds Held | 977,839 | - | - | - | - | - | 977,839 | - | - |
| Grants, Net | 56,912,614 | - | - | - | - | (50,000) | 56,862,614 | - | - |
| Program Service Expense | 5,471,510 | - | - | 3,685,126 | - | - | 9,156,636 | - | - |
| Support Services: | | | | | | | | | |
| Management and General Administrative Expense | 2,711,843 | - | - | 471,664 | - | (37,518) | 3,145,989 | - | - |
| Fund Raising | 1,880,931 | - | - | 44,757 | - | - | 1,925,688 | - | - |
| Total Expenses | 66,976,898 | - | - | 4,201,547 | - | (87,518) | 71,090,927 | - | - |
| **TOTAL CHANGE IN NET ASSETS** | 57,003,808 | 13,925,136 | 801,060 | 532,729 | 4,159,728 | - | 57,536,537 | 18,084,864 | 801,060 |
| Net Assets - Beginning 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 |
| **NET ASSETS - END OF YEAR** | $ 567,471,433 | $ 80,126,383 | $ 35,275,911 | $ 9,168,761 | $ 4,700,948 | $ - | $ 576,640,194 | $ 84,827,331 | $ 35,275,911 |