THE MINNEAPOLIS FOUNDATION
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED MARCH 31, 2019 AND 2018

THE MINNEAPOLIS FOUNDATION
AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED MARCH 31, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

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, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended March 31, 2019, 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, 2019 and 2018, 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 29, 2019

THE MINNEAPOLIS FOUNDATION
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 19,181,128	$ 23,252,137
Interest and Dividends Receivable	823,685	853,079
Accounts and Pledges Receivable	1,920,864	2,648,431
Prepaids	109,239	119,979
Investments	708,062,895	704,283,012
Program-Related Loans Receivable	7,400,000	5,600,000
Other Assets	749,342	733,036
Loans Receivable, Net	28,809,732	21,876,250
Notes Receivable	25,602,033	30,262,147
Beneficial Interest in Trusts	55,700,907	58,161,006
Furniture, Fixtures, Equipment, and Leasehold Improvements (Less Accumulated Depreciation of $3,309,267 and $2,966,527 as of March 31, 2019 and 2018, Respectively)	1,743,088	2,021,840
Total Assets	$ 850,102,913	$ 849,810,917
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 2,860,065	$ 2,601,109
Grants Payable	6,951,386	4,984,352
Notes Payable	21,759,269	16,367,647
Deferred Lease Credits	284,473	361,788
Amounts Due Beneficiaries	13,953,751	14,387,393
Charitable Funds Held for the Benefit of Others	32,912,440	34,473,013
Total Liabilities	78,721,384	73,175,302
NET ASSETS		
Without Donor Restrictions	656,935,601	657,264,598
With Donor Restrictions	114,445,928	119,371,017
Total Net Assets	771,381,529	776,635,615
Total Liabilities and Net Assets	$ 850,102,913	$ 849,810,917

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Total Amount Raised	$ 73,163,511	$ 5,121,174	$ 78,284,685
Less: Amounts Received for Benefit of Others	1,027,413	-	1,027,413
Contributions, Net	72,136,098	5,121,174	77,257,272
Total Investment Income, Net of Investment Expenses	10,148,052	229,481	10,377,533
Less: Investment Income from Charitable Funds Held for Benefit of Others	303,680	-	303,680
Investment Income, Net	9,844,372	229,481	10,073,853
Change in Value of Trusts	-	443,315	443,315
Administrative Service Revenue from Agency Funds	422,777	-	422,777
Note Receivable Interest and Other Income	4,079,114	-	4,079,114
Net Assets Released from Restrictions	10,719,059	(10,719,059)	-
Total Revenues, Gains, and Other Support	97,201,420	(4,925,089)	92,276,331
EXPENSES			
Program Services:			
Total Grants	85,328,199	-	85,328,199
Less: Grants Made for Benefit of Charitable Funds Held	2,858,382	-	2,858,382
Grants, Net	82,469,817	-	82,469,817
Program Service Expense	9,541,223	-	9,541,223
Support Services Expense:			
Management and General Administrative	3,175,074	-	3,175,074
Fund Raising	2,344,303	-	2,344,303
Total Expenses	97,530,417	-	97,530,417
CHANGE IN NET ASSETS	(328,997)	(4,925,089)	(5,254,086)
Net Assets - Beginning of Year	657,264,598	119,371,017	776,635,615
NET ASSETS - END OF YEAR	$ 656,935,601	$ 114,445,928	$ 771,381,529

See accompanying Notes to Consolidated Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	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	50,460,636	4,731,048	55,191,684
Less: Investment Income from Charitable Funds Held for Benefit of Others	2,717,156	-	2,717,156
Investment Income, Net	47,743,480	4,731,048	52,474,528
Change in Value of Trusts	20	1,483,379	1,483,399
Administrative Service Revenue from Agency Funds	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	166,131,660	(732,225)	165,399,435
EXPENSES			
Program Services:			
Total Grants	71,622,755	-	71,622,755
Less: Grants Made for Benefit of Charitable Funds Held	1,376,897	-	1,376,897
Grants, Net	70,245,858	-	70,245,858
Program Service Expense	10,057,260	-	10,057,260
Support Services Expense:			
Management and General Administrative	3,260,140	-	3,260,140
Fund Raising	1,943,998	-	1,943,998
Total Expenses	85,507,256	-	85,507,256
CHANGE IN NET ASSETS	80,624,404	(732,225)	79,892,179
Net Assets - Beginning of Year	576,640,194	120,103,242	696,743,436
NET ASSETS - END OF YEAR	$ 657,264,598	$ 119,371,017	$ 776,635,615

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED MARCH 31, 2018)

	2019				
	Program Services	Management and General	Fundraising	Total Expenses	2018 Total Expenses
OPERATING EXPENSES					
Grants	$ 82,469,817	$ -	$ -	$ 82,469,817	$ 70,245,858
Compensation and Benefits	5,060,770	2,045,696	1,727,991	8,834,457	8,314,343
Professional Fees and Contract Services	1,742,036	263,310	86,303	2,091,649	2,427,563
Supplies and Office Expenses	282,084	177,123	95,605	554,812	681,800
Travel, Conferences, and Meetings	666,114	39,500	107,575	813,189	572,036
Occupancy	320,534	257,114	138,171	715,819	732,448
Information Technology	341,940	137,768	70,247	549,955	488,362
Insurance	-	90,625	-	90,625	89,491
Marketing and Promotion	137,017	15,981	59,276	212,274	201,521
Interest	409,006	246	93	409,345	313,769
Other	287,929	31,545	276	319,750	1,043,228
Depreciation	293,793	116,166	58,766	468,725	396,837
Total Operating Expenses	$ 92,011,040	$ 3,175,074	$ 2,344,303	$ 97,530,417	$ 85,507,256

See accompanying Notes to Consolidated Financial Statements.

THE MINNEAPOLIS FOUNDATION
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (5,254,086)	$ 79,892,179
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Realized Gain on Sale of Investments	(41,735,166)	(28,709,338)
Unrealized (Gain) Loss on Investments	40,695,383	(16,481,440)
Loss on Sale of Furniture, Fixtures, and Equipment	-	1,162
Change in Value of Trusts	(443,315)	(1,483,399)
Depreciation and Amortization	468,725	396,837
Change in Assets and Liabilities:		
Interest and Dividends Receivable	29,394	(69,206)
Accounts and Pledges Receivable	727,567	121,419
Prepaids	10,740	122,425
Other Assets	(16,306)	(14,690)
Program-Related Loans Receivable	(1,800,000)	(1,981,500)
Notes Receivable	4,660,114	4,646,073
Beneficial Interest in Trusts	2,012,091	2,375,715
Accounts Payable and Accrued Liabilities	258,956	351,503
Grants Payable	1,967,034	1,824,587
Deferred Lease Credits	(77,315)	(68,544)
Charitable Funds Held for the Benefit of Others	(1,560,573)	2,129,008
Net Cash Provided (Used) by Operating Activities	(56,757)	43,052,791
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(189,973)	(1,177,174)
Increase in Loans Receivable	(6,933,482)	(4,032,177)
Purchases of Securities	(347,403,065)	(234,797,517)
Proceeds from the Sale of Securities	345,120,646	196,493,168
Net Cash Used by Investing Activities	(9,405,874)	(43,513,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	7,541,278	5,896,624
Principal Payments on Notes Payable	(2,149,656)	(1,674,974)
Net Cash Provided by Financing Activities	5,391,622	4,221,650
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,071,009)	3,760,741
Cash and Cash Equivalents - Beginning of Year	23,252,137	19,491,396
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,181,128	$ 23,252,137
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Contributions and Pledge Payments of Investment Securities	$ 21,053,405	$ 49,356,765
Interest Paid During the Year	$ 442,492	$ 278,934

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 with donor restrictions are classified as without donor restrictions for financial statement purposes.

Net assets without donor restrictions represent that portion of expendable funds that is available for support of the programs and operations of the Foundation.

Net assets with donor restrictions consist of irrevocable charitable trusts, lead trusts, purpose restricted contributions, restricted contributions receivable, and donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restriction.

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, 2019, this set dollar amount from the year ended March 31, 2018 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.

Program-Related Loans Receivable

The Foundation has made loans to nonprofit organizations at below-market interest rates. Repayment schedules and interest rates on the loans are varied. At March 31, 2019 and 2018, there were no past due program-related loans.

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 with donor restrictions.

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 with donor restrictions.

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 with donor restrictions. Distributions received from these trusts are recorded as investment income without donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (Propel Nonprofits)

The loans receivable consist of notes with interest rates ranging from 2% to 7% with maturities through 2044. 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.

There are three categories of loans receivable as of March 31, 2019 and 2018:

> 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

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

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

Notes Payable with Below-Market Interest Rates (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, 2019 and 2018.

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 $284,473 and $361,788 at March 31, 2019 and 2018, respectively.

Amounts Due Beneficiaries

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charitable Funds Held for the Benefit of Others

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

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

Functional Allocation of Expense

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited. Allocations of expenses between functions is based on full time equivalent (FTE) headcounts and management's best estimates of the nature of work performed by department.

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, 2018 and 2019, there was a concentration from one donor for 18.8% and 12.4% of the total contributions, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

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

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

As of March 31, 2019 and 2018, the Foundation owned 23 and 188 contracts with a notional exposure of $2,372,735 and $17,886,394, respectively. The notional exposure is included in the Foundation's investment portfolio. Gains for these futures were $288,178 and $685,963 for the years ended March 31, 2019 and 2018, respectively.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Updated (ASU) 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entitles.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented (except for the presentation of the statement of functional expenses and liquidity footnote) which resulted in no change to the total previously reported net assets.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through August 29, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY

Financial assets are structured to meet the liquidity needs of the Foundation, both in terms of operating budget as well as grants and other expenditures. The finance committee of the board approves and periodically reviews the operating reserves policy which is designed to support operations during periods when an operating revenue shortfall may occur. The policy currently recommends a target of having at least six months of operating expenses in cash or short-term investments. As of March 31, 2019, the Foundation had operating reserves in cash or short-term investments that was in compliance with the operating reserves policy.

In terms of meeting the liquidity needs for grants and other obligations and expenditures, the following table outlines the Foundation's financial assets as of March 31, 2019, that are available for expenditure within one year of that date. Assets are considered unavailable if they are not convertible to cash within one year, or if they are trust assets or endowment assets.

	TMF	Propel Nonprofits
Cash and Cash Equivalents	$ 13,004,537	$ 6,176,591
Investments - Cash and Short-Term Investments	42,724,156	1,199,615
Accounts and Pledges Receivable	963,917	956,947
Loans Receivable, Less than One Year	-	7,415,427
Accrued Interest and Dividends Receivable	780,808	42,877
Total	$ 57,473,418	$ 15,791,457

The spendable amount (see spending policy in Note 1) from endowed assets, whether donor-restricted or board-designated, will be made available from these endowments within the next 12 months. The board may approve additional expenditures from board-designated endowments.

The financial assets of the Foundation are managed to become available as its awarded grants, general expenditures, liabilities and other obligations become due. The majority of other Foundation assets not included in the table above are redeemable on a daily or monthly basis to meet these needs. Cash in excess of daily requirements may be invested in money markets, sweep accounts and other short-term investments.

NOTE 3 INVESTMENTS

Investments consist of the following at March 31:

	2019	2018
Cash and Cash Equivalents	$ 44,366,702	$ 67,108,976
Large and Mid Cap Domestic Equities and Equity Futures	161,422,290	166,261,006
Small Cap Domestic Equities and Equity Futures	45,287,881	55,905,815
Non-US Equities and Equity Futures	195,950,128	199,934,315
Domestic Fixed Income Obligations and Fixed Income Futures	81,665,029	60,799,330
High Yield Fixed Income Obligations and Fixed Income Futures	20,183,016	18,563,951
Global Fixed Income Obligations and Fixed Income Futures	30,470,497	28,210,509
Real Estate	23,933,526	20,699,497
Long/Short Hedge Funds	21,609,128	15,969,484
Multi-Strategy Hedge Funds	37,823,750	37,317,591
Commodities	2,876,732	2,942,983
Private Equity and Venture Capital	40,471,236	28,724,705
Closely Held Stock	2,002,980	1,844,850
Total Investments	$ 708,062,895	$ 704,283,012

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:

	2019	2018
Interest and Dividend Income	$ 12,739,512	$ 10,467,608
Realized Gains on Investments	41,735,166	28,709,338
Unrealized Gains (Losses) on Investments	(40,695,383)	16,481,440
Investment Expenses	(3,705,442)	(3,183,858)
Total	$ 10,073,853	$ 52,474,528

NOTE 4 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of March 31, 2019 are:

	Level 1	Level 2	Level 3	Total
Investments:				
Large and Mid Cap Domestic Equities and Equity Futures	$ 138,172,482	$ -	$ -	$ 138,172,482
Small Cap Domestic Equities and Equity Futures	45,287,881	-	-	45,287,881
Non-US Equities and Equity Futures	61,745,019	-	-	61,745,019
Domestic Fixed Income Obligations and Fixed Income Futures	81,665,029	-	-	81,665,029
High Yield Fixed Income Obligations and Fixed Income Futures	2,954,954	-	-	2,954,954
Global Fixed Income Obligations and Fixed Income Futures	4,437,671	-	-	4,437,671
Real Estate	16,258,934	-	-	16,258,934
Long/Short Hedge Funds	963,407	-	-	963,407
Multi-Strategy Hedge Funds	5,424,524	-	-	5,424,524
Commodities	38,606	-	-	38,606
Closely Held Stock	-	-	2,002,980	2,002,980
Total Investments at Fair Value	356,948,507	-	2,002,980	358,951,487
Cash and Cash Equivalents	-	-	-	44,366,702
Investments Measured at Net Asset Value or its Equivalent	-	-	-	301,773,348
Investments Recorded at Cost	-	-	-	2,971,358
Total Investments	-	-	-	708,062,895
Beneficial Interest in Trusts	-	-	55,700,907	55,700,907
Total	$ 356,948,507	$ -	$ 57,703,887	$ 763,763,802

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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	$ -	$ 58,161,006	$ 762,444,018

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, 2019 and 2018:

	Closely Held Stock	
	2019	2018
Balance as of April 1	$ 1,844,850	$ 534,630
Additions	-	1,094,360
Unrealized Gains	158,130	215,860
Balance as of March 31	$ 2,002,980	$ 1,844,850

	Beneficial Interest in Trusts	
	2019	2018
Balance as of April 1	$ 58,161,006	$ 59,238,975
Additions	-	-
Change in Value of Trusts	(1,069,047)	(2,087,495)
Change in Beneficial Interest in Trusts	(1,391,052)	1,009,526
Balance as of March 31	$ 55,700,907	$ 58,161,006

NOTE 4 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, 2019 and 2018:

March 31, 2019	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic Equity/Large Cap and Mid Cap	$ 9,672,927	$ -	Quarterly	90 days
Domestic Equity/Large Cap and Mid Cap	13,576,878	-	Daily	1 day
Non-US Equities	30,625,400	-	Quarterly	90 Days
Non-US Equities	103,579,709	-	Monthly	5-30 Days
Global Fixed Income Obligations	26,032,826	-	Monthly	10 Days
High Yield Fixed Income Obligations	17,228,062	-	Monthly	45 Days
Long/Short Hedge Funds	11,737,430	-	Monthly	90 Days
Long/Short Hedge Funds	8,908,288	-	Quarterly	60 Days
Real Estate	7,379,592	8,255,492	N/A	N/A
Multi-Strategy Hedge Funds	25,289,777	-	Quarterly	60 days
Multi-Strategy Hedge Funds	6,769,449	-	Annual	95 Days
Commodities	2,747,129	4,468,834	N/A	N/A
Private Equity and Venture Capital	38,225,881	32,323,008	N/A	N/A
Total	$ 301,773,348	$ 45,047,334		

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		

NOTE 4 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 4 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 5 LOANS RECEIVABLE (PROPEL NONPROFITS)

Loans receivable at March 31, 2019 and 2018 were comprised of the following:

	2019	2018
Working Capital / Business	$ 9,050,093	$ 5,945,832
Working Capital/Equity Builder	1,650,619	1,464,388
Community Facilities	17,578,201	14,091,045
Affordable Housing	2,125,148	1,855,987
Subtotal	30,404,061	23,357,252
Allowance for Loan Losses	(1,594,329)	(1,481,002)
Loans Receivable, Net	$ 28,809,732	$ 21,876,250

Anticipated principal payments on loans receivable as of March 31, 2019 are as follows:

Year Ending March 31,	Amount
2020, Net of Allowance of $287,294	$ 7,415,427
2021 through 2024, Net of Allowance of $1,127,992	17,707,636
Thereafter, Net of Allowance of $179,043	3,686,669
Total	$ 28,809,732

Propel Nonprofits has the following commitments as of March 31, 2019:

Available Nonrevolving Lines of Credit, with Maturities to FY20	$ 26,385
Available Lines of Credit, with Maturities through FY21	3,296,840
Term Loans Originated but Not Fully Disbursed as of Year-End	200,000
Total Commitments	$ 3,523,225

The following tables present the aging of past due loans by loan segment as of March 31, 2019 and 2018:

As of March 31, 2019	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
Working Capital / Business	$ 8,972,169	$ -	$ 19,596	$ 58,328	$ 9,050,093	$ -
Working Capital/Equity Builder	1,650,619	-	-	-	1,650,619	-
Community Facilities	17,509,628	-	-	68,573	17,578,201	-
Affordable Housing	2,125,148	-	-	-	2,125,148	-
Total	$ 30,257,564	$ -	$ 19,596	$ 126,901	$ 30,404,061	$ -

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	1,855,989	-	-	-	1,855,989	-
Total	$ 22,215,250	$ -	$ -	$ 1,142,004	$ 23,357,254	$ -

NOTE 5 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, 2019	Pass	Watch	Substandard	Doubtful	Total
Working Capital / Business	$ 9,036,992	$ 13,101	$ -	$ -	$ 9,050,093
Working Capital/Equity Builder	1,405,964	244,655	-	-	1,650,619
Community Facilities	17,578,201	-	-	-	17,578,201
Affordable Housing	2,125,148	-	-	-	2,125,148
Total	$ 30,146,305	$ 257,756	$ -	$ -	$ 30,404,061
Current	$ 29,999,808	$ 257,756	$ -	$ -	$ 30,257,564
Past Due 31-60 Days	-	-	-	-	-
Past Due 61-90 Days	19,596	-	-	-	19,596
Past Due 90 + Days	126,901	-	-	-	126,901
Total	$ 30,146,305	$ 257,756	$ -	$ -	$ 30,404,061

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	326,187	-	14,091,045
Affordable Housing	1,855,989	-	-	-	1,855,989
Total	$ 21,841,276	$ 1,039,791	$ 476,187	$ -	$ 23,357,254
Current	$ 21,841,276	$ 47,787	$ 326,187	$ -	$ 22,215,250
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	$ 476,187	$ -	$ 23,357,254

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 5 LOANS RECEIVABLE (PROPEL NONPROFITS) (CONTINUED)

Allowance for Loan Losses (Continued)

Activity in the loan loss reserve for the years ended March 31, 2019 and 2018 was as follows:

March 31, 2019	Working Capital Business	Working Capital Equity/Builder	Community Facilities	Affordable Housing	Total
Allowance for Loan Losses					
Beginning Balance	$ 306,109	$ 65,945	$ 1,033,282	$ 75,666	$ 1,481,002
Charge Offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provisions	157,185	46,376	(125,988)	35,754	113,327
Ending Balance	$ 463,294	$ 112,321	$ 907,294	$ 111,420	$ 1,594,329
Allowance for Loan Losses					
Ending Balance: Individually Evaluated for Impairment	$ 1,310	$ 24,466	$ -	$ -	$ 25,776
Ending Balance: Collectively Evaluated for Impairment	461,984	87,855	907,294	111,420	1,568,553
Total	$ 463,294	$ 112,321	$ 907,294	$ 111,420	$ 1,594,329
Financing Receivables					
Ending Balance: Individually Evaluated for Impairment	$ 13,101	$ 244,655	$ -	$ -	$ 257,756
Ending Balance: Collectively Evaluated for Impairment	9,036,992	1,405,964	17,578,201	2,125,148	30,146,305
Total	$ 9,050,093	$ 1,650,619	$ 17,578,201	$ 2,125,148	$ 30,404,061

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	1,855,989	21,841,276
Total	$ 5,945,832	$ 1,464,388	$ 14,091,045	$ 1,855,989	$ 23,357,254

NOTE 5 LOANS RECEIVABLE (PROPEL NONPROFITS) (CONTINUED)

Allowance for Loan Losses (Continued)

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 2019, Propel Nonprofits did not charge off any loans.

NOTE 6 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, 2019 and 2018, there were no past due amounts and an allowance was not warranted.

NOTE 7 NOTES PAYABLE AND OTHER CAPITAL (PROPEL NONPROFITS)

Notes payable consist of loans with stated interest from 1.0% to 4.0%, maturing through 2026. Principal payments on notes payable and other capital are as follows:

Year Ending March 31,	Amount
2020	$ 1,402,749
2021	662,298
2022	3,167,476
2023	2,952,275
2024	2,500,000
Thereafter	11,074,471
Total	$ 21,759,269

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

NOTE 8 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, 2019 and 2018. At March 31, 2019, the following lines of credit and other capital financing were available to be drawn:

Lines of Credit	Maturity Date	Amount
The Minneapolis Foundation (TMF)	4/1/2022	$ 2,000,000
Minnesota Bank & Trust	11/30/2020	2,000,000
Synchrony Financial	11/30/2019	2,000,000
Alerus Foundation	5/31/2020	500,000
Total Lines of Credit		$ 6,500,000

NOTE 9 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:

	2019	2018
Less Than One Year	$ 3,686,544	$ 3,192,362
One to Five Years	3,211,294	1,959,988
Greater Than Five Years	440,000	-
Subtotal	7,337,838	5,152,350
Discount (5%)	(386,452)	(167,998)
Total	$ 6,951,386	$ 4,984,352

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
With Donor Restrictions - Restricted for Purpose or Time:		
Restricted for Programs	$ 29,757,092	$ 31,161,815
Split-Interest Agreements	49,345,104	52,343,127
Total With Restrictions - Purpose or Time	79,102,196	83,504,942
With Donor Restrictions - Held in Perpetuity:		
Permanent Endowment	20,252,842	20,252,842
Beneficial Interest in Perpetual Trusts	15,090,890	15,613,233
Total With Restrictions - Held in Perpetuity	35,343,732	35,866,075
Total Net Assets With Donor Restrictions	$ 114,445,928	$ 119,371,017

NOTE 11 ENDOWMENT

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Other Endowment Funds	$ 248,896,582	$ -	$ 248,896,582
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	20,252,842	20,252,842
Accumulated Investment Gains	-	19,315,211	19,315,211
Total	$ 248,896,582	$ 39,568,053	$ 288,464,635

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Other Endowment Funds	$ 252,200,566	$ -	$ 252,200,566
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	20,252,842	20,252,842
Accumulated Investment Gains	-	21,203,663	21,203,663
Total	$ 252,200,566	$ 41,456,505	$ 293,657,071

NOTE 11 ENDOWMENT (CONTINUED)

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 with restrictions 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.

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies for the years ended March 31, 2019 and 2018.

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ 252,200,566	$ 41,456,505	$ 293,657,071
Contributions	892,003	-	892,003
Investment Income, Net	1,932,541	147,868	2,080,409
Amounts Appropriated for Expenditure	(6,128,528)	(2,036,320)	(8,164,848)
Endowment Fund Balance, March 31, 2019	$ 248,896,582	$ 39,568,053	$ 288,464,635

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ 234,530,102	$ 39,470,735	$ 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)
Endowment Fund Balance, March 31, 2018	$ 252,200,566	$ 41,456,505	$ 293,657,071

NOTE 12 OPERATING LEASES

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 2024. Total rentals paid during fiscal years 2019 and 2018 were $481,996 and $439,825, respectively.

NOTE 12 OPERATING LEASES (CONTINUED)

Future minimum lease payments at March 31 are as follows:

Year Ending March 31,		Amount
2020	$	461,359
2021		476,408
2022		488,816
2023		138,674
2024		139,901
Thereafter		547,185
Total Future Minimum Lease Payments	$	2,252,343

The lease was extended for an additional five-year period subsequent to year end and now expires on August 27, 2027. Total base rent for the additional five-year period totals approximately $2,220,000.

NOTE 13 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 2019 and 2018, the discretionary contribution percentage was 8% of employees' compensation, respectively. Retirement plan expense was $436,485 and $402,128 for the years ended March 31, 2019 and 2018, respectively.

NOTE 14 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 $157,250 and $205,000 during the years ended March 31, 2019 and 2018, respectively, for leadership and financial capacity building.

TMF has a promissory note agreement with Propel Nonprofits for purposes of extending loans to local nonprofit organizations. The note bears interest at 2% annually. This $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, 2019
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)

	TMF	Propel Nonprofits	Eliminations	Consolidated
ASSETS				
Cash and Cash Equivalents	$ 13,004,537	$ 6,176,591	$ -	$ 19,181,128
Interest and Dividends Receivable	780,808	42,877	-	823,685
Accounts and Pledges Receivable	963,917	956,947	-	1,920,864
Prepaids	24,606	84,633	-	109,239
Investments	706,863,280	1,199,615	-	708,062,895
Program-Related Loans Receivable	7,400,000	-	-	7,400,000
Other Assets	688,531	60,811	-	749,342
Loans Receivable, Net	-	28,809,732	-	28,809,732
Notes Receivable	26,602,033	-	(1,000,000)	25,602,033
Beneficial Interest in Trusts	55,700,907	-	-	55,700,907
Furniture, Fixtures, and Equipment (Less Accumulated Depreciation)	787,217	955,871	-	1,743,088
Total Assets	$ 812,815,836	$ 38,287,077	$ (1,000,000)	$ 850,102,913
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,030,367	$ 1,829,698	$ -	$ 2,860,065
Grants Payable	6,951,386	-	-	6,951,386
Notes Payable	-	22,759,269	(1,000,000)	21,759,269
Deferred Lease Credits	284,473	-	-	284,473
Amounts Due Beneficiaries	13,953,751	-	-	13,953,751
Charitable Funds Held for the Benefit of Others	32,912,440	-	-	32,912,440
Total Liabilities	55,132,417	24,588,967	(1,000,000)	78,721,384
NET ASSETS				
Without Donor Restrictions	645,926,689	11,008,912	-	656,935,601
With Donor Restrictions	111,756,730	2,689,198	-	114,445,928
Total Net Assets	757,683,419	13,698,110	-	771,381,529
Total Liabilities and Net Assets	$ 812,815,836	$ 38,287,077	$ (1,000,000)	$ 850,102,913

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
Program-Related Loans Receivable	5,600,000	-	-	5,600,000
Other Assets	672,225	60,811	-	733,036
Loans Receivable, Net	-	21,876,250	-	21,876,250
Notes Receivable	31,262,147	-	(1,000,000)	30,262,147
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				
Without Donor Restrictions	646,744,821	10,519,777	-	657,264,598
With Donor Restrictions	116,860,481	2,510,536	-	119,371,017
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 ACTIVITIES
YEAR ENDED MARCH 31, 2019
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)

	TMF		Propel Nonprofits			Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions
REVENUES, GAINS, AND OTHER SUPPORT							
Total Amount Raised	$ 72,128,538	$ 715,000	$ 1,192,223	$ 4,406,174	$ (157,250)	$ 73,163,511	$ 5,121,174
Less: Amounts Received for Benefit of Others	1,027,413	-	-	-	-	1,027,413	-
Contributions, Net	71,101,125	715,000	1,192,223	4,406,174	(157,250)	72,136,098	5,121,174
Total Investment Income, Net	10,142,041	229,481	25,344	-	(19,333)	10,148,052	229,481
Less: Investment from Charitable Funds Held for Benefit of Others	303,680	-	-	-	-	303,680	-
Investment Income, Net	9,838,361	229,481	25,344	-	(19,333)	9,844,372	229,481
Change in Value of Trusts	-	443,315	-	-	-	-	443,315
Administrative Service Revenue from Agency Funds	422,777	-	-	-	-	422,777	-
Note Receivable Interest and Other Income	1,555,534	-	2,523,580	-	-	4,079,114	-
Net Assets Released from Restrictions	6,491,547	(6,491,547)	4,227,512	(4,227,512)	-	10,719,059	(10,719,059)
Total Revenues, Gains, and Other Support	89,409,344	(5,103,751)	7,968,659	178,662	(176,583)	97,201,420	(4,925,089)
EXPENSES							
Program Services:							
Total Grants	82,199,228	-	3,286,221	-	(157,250)	85,328,199	-
Less: Grants Made for Benefit of Charitable Funds Held	2,858,382	-	-	-	-	2,858,382	-
Grants, Net	79,340,846	-	3,286,221	-	(157,250)	82,469,817	-
Program Service Expense	6,251,089	-	3,309,467	-	(19,333)	9,541,223	-
Support Services:							
Management and General Administrative Expense	2,417,813	-	757,261	-	-	3,175,074	-
Fund Raising	2,217,728	-	126,575	-	-	2,344,303	-
Total Expenses	90,227,476	-	7,479,524	-	(176,583)	97,530,417	-
TOTAL CHANGE IN NET ASSETS	(818,132)	(5,103,751)	489,135	178,662	-	(328,997)	(4,925,089)
Net Assets - Beginning of Year	646,744,821	116,860,481	10,519,777	2,510,536	-	657,264,598	119,371,017
NET ASSETS - END OF YEAR	$ 645,926,689	$ 111,756,730	$ 11,008,912	$ 2,689,198	$ -	$ 656,935,601	$ 114,445,928

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	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions
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	50,455,974	4,731,048	21,032	-	(16,370)	50,460,636	4,731,048
Less: Investment from Charitable Funds Held for Benefit of Others	2,717,156	-	-	-	-	2,717,156	-
Investment Income, Net	47,738,818	4,731,048	21,032	-	(16,370)	47,743,480	4,731,048
Change in Value of Trusts	20	1,483,379	-	-	-	20	1,483,379
Administrative Service Revenue from Agency Funds	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	158,039,546	1,458,187	8,313,484	(2,190,412)	(221,370)	166,131,660	(732,225)
EXPENSES							
Program Services:							
Total Grants	69,459,110	-	2,368,645	-	(205,000)	71,622,755	-
Less: Grants Made for Benefit of Charitable Funds Held	1,376,897	-	-	-	-	1,376,897	-
Grants, Net	68,082,213	-	2,368,645	-	(205,000)	70,245,858	-
Program Service Expense	6,205,191	-	3,852,069	-	-	10,057,260	-
Support Services:							
Management and General Administrative Expense	2,621,631	-	654,879	-	(16,370)	3,260,140	-
Fund Raising	1,857,123	-	86,875	-	-	1,943,998	-
Total Expenses	78,766,158	-	6,962,468	-	(221,370)	85,507,256	-
TOTAL CHANGE IN NET ASSETS	79,273,388	1,458,187	1,351,016	(2,190,412)	-	80,624,404	(732,225)
Net Assets - Beginning of Year	567,471,433	115,402,294	9,168,761	4,700,948	-	576,640,194	120,103,242
NET ASSETS - END OF YEAR	$ 646,744,821	$ 116,860,481	$ 10,519,777	$ 2,510,536	$ -	$ 657,264,598	$ 119,371,017