

**NONPROFITS ASSISTANCE FUND**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2016 AND 2015**

**NONPROFITS ASSISTANCE FUND  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Nonprofits Assistance Fund  
Minneapolis, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Nonprofits Assistance Fund (a nonprofit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

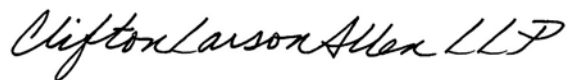
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofits Assistance Fund as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit as of and for the year ended March 31, 2016 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of financial position by fund and activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 2, 2016

**NONPROFITS ASSISTANCE FUND  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2016 AND 2015**

	March 31, 2016			March 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 1,881,525	\$ 491,384	\$ 2,372,909	\$ 774,387	\$ 403,405	\$ 1,177,792
Certificates of Deposit	201,057	-	201,057	378,648	300,000	678,648
Accounts and Grants Receivable	36,059	49,836	85,895	27,537	349,088	376,625
Loans Receivable, Net of Allowance of \$256,526 in 2016 and \$288,219 in 2015	5,684,660	-	5,684,660	5,249,275	-	5,249,275
Loan Interest Receivable	72,064	-	72,064	50,135	-	50,135
Prepays	32,395	-	32,395	33,668	-	33,668
Total Current Assets	7,907,760	541,220	8,448,980	6,513,650	1,052,493	7,566,143
<b>NONCURRENT ASSETS</b>						
Loans Receivable, Net of Allowance of \$794,743 in 2016 and \$747,409 in 2015	13,925,855	-	13,925,855	14,427,666	-	14,427,666
Other Real Estate Owned	464,107	-	464,107	464,107	-	464,107
Certificates of Deposit	533,748	-	533,748	552,942	-	552,942
Equipment, Net of Depreciation	63,453	-	63,453	64,419	-	64,419
Total Noncurrent Assets	14,987,163	-	14,987,163	15,509,134	-	15,509,134
Total Assets	\$ 22,894,923	\$ 541,220	\$ 23,436,143	\$ 22,022,784	\$ 1,052,493	\$ 23,075,277

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**MARCH 31, 2016 AND 2015**

	March 31, 2016			March 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Current Portion of Notes Payable	\$ 2,380,246	\$ -	\$ 2,380,246	\$ 604,963	\$ -	\$ 604,963
Accounts Payable and Accrued Expenses	110,884	-	110,884	110,072	-	110,072
Current Portion of Capital Lease Obligation	2,094	-	2,094	2,027	-	2,027
Interest Payable	48,188	-	48,188	32,285	-	32,285
Deferred Revenue	5,420	-	5,420	-	-	-
Recoverable Grants	100,000	-	100,000	6,145	-	6,145
Total Current Liabilities	<u>2,646,832</u>	<u>-</u>	<u>2,646,832</u>	<u>755,492</u>	<u>-</u>	<u>755,492</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable, Net of Current Maturities	11,608,600	-	11,608,600	13,357,123	-	13,357,123
Recoverable Grants	-	-	-	100,000	-	100,000
Capital Lease Obligation, Net of Current Portion	3,459	-	3,459	5,553	-	5,553
Total Long-Term Liabilities	<u>11,612,059</u>	<u>-</u>	<u>11,612,059</u>	<u>13,462,676</u>	<u>-</u>	<u>13,462,676</u>
Total Liabilities	14,258,891	-	14,258,891	14,218,168	-	14,218,168
<b>NET ASSETS</b>						
Unrestricted Net Assets:						
Undesignated	6,636,032	-	6,636,032	5,804,616	-	5,804,616
Designated for Lending	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Total Unrestricted Net Assets	<u>8,636,032</u>	<u>-</u>	<u>8,636,032</u>	<u>7,804,616</u>	<u>-</u>	<u>7,804,616</u>
Temporarily Restricted Net Assets	-	541,220	541,220	-	1,052,493	1,052,493
Total Net Assets	<u>8,636,032</u>	<u>541,220</u>	<u>9,177,252</u>	<u>7,804,616</u>	<u>1,052,493</u>	<u>8,857,109</u>
Total Liabilities and Net Assets	<u>\$ 22,894,923</u>	<u>\$ 541,220</u>	<u>\$ 23,436,143</u>	<u>\$ 22,022,784</u>	<u>\$ 1,052,493</u>	<u>\$ 23,075,277</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2016 AND 2015**

	Year Ended March 31, 2016			Year Ended March 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Gifts and Grants	\$ 769,417	\$ 24,148	\$ 793,565	\$ 755,200	\$ 921,088	\$ 1,676,288
Loan Interest Income	1,191,074	-	1,191,074	936,845	-	936,845
Loan Fee Revenue	70,057	-	70,057	127,973	-	127,973
Program Revenue	96,223	-	96,223	108,175	-	108,175
Investment Income	15,835	-	15,835	17,673	-	17,673
Other Income	24,841	-	24,841	18,553	-	18,553
Net Assets Released from Restrictions	535,421	(535,421)	-	395,410	(395,410)	-
Total Revenues	<u>2,702,868</u>	<u>(511,273)</u>	<u>2,191,595</u>	<u>2,359,829</u>	<u>525,678</u>	<u>2,885,507</u>
<b>EXPENSES</b>						
Program Service:						
Program Expenses	1,187,080	-	1,187,080	1,047,472	-	1,047,472
Interest Expense	379,530	-	379,530	269,633	-	269,633
Provision for Loan Loss Reserve	37,228	-	37,228	216,320	-	216,320
Management and General	252,394	-	252,394	242,748	-	242,748
Fundraising	15,220	-	15,220	27,693	-	27,693
Total Expenses	<u>1,871,452</u>	<u>-</u>	<u>1,871,452</u>	<u>1,803,866</u>	<u>-</u>	<u>1,803,866</u>
<b>CHANGE IN NET ASSETS</b>	831,416	(511,273)	320,143	555,963	525,678	1,081,641
Net Assets - Beginning of Year	<u>7,804,616</u>	<u>1,052,493</u>	<u>8,857,109</u>	<u>7,248,653</u>	<u>526,815</u>	<u>7,775,468</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,636,032</u>	<u>\$ 541,220</u>	<u>\$ 9,177,252</u>	<u>\$ 7,804,616</u>	<u>\$ 1,052,493</u>	<u>\$ 8,857,109</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 320,143	\$ 1,081,641
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	44,620	42,872
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	290,730	(244,970)
Loan Interest Receivable	(21,929)	(4,193)
Prepays	1,273	(16,928)
Accounts Payable and Accrued Expenses	812	(68,746)
Interest Payable	15,903	10,789
Deferred Revenue	(725)	(3,823)
Net Cash Provided by Operating Activities	650,827	796,642
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable Principal Advanced	(9,139,442)	(16,328,206)
Loan Receivable Repayments	9,168,640	10,556,265
Loan Receivable Charge Offs	21,587	399,566
Increase in Allowance for Uncollectable		
Loans Receivable	15,641	(180,543)
Increase in Other Real Estate Owned	-	(18,717)
Purchase of Equipment	(43,654)	(10,721)
Net Change in Certificates of Deposit	496,785	47,635
Net Cash Provided (Used) by Investing Activities	519,557	(5,534,721)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Notes Payable	1,575,834	5,295,100
Principal Payments on Notes Payable	(1,549,074)	(1,649,491)
Principal Payments on Capital Lease Obligation	(2,027)	(1,963)
Net Cash Provided by Financing Activities	24,733	3,643,646
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,195,117	(1,094,433)
Cash and Cash Equivalents - Beginning of Year	1,177,792	2,272,225
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,372,909	\$ 1,177,792
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Payments for Interest During the Year	\$ 363,627	\$ 258,844
Real Estate Acquired in Satisfaction of Loan Receivable	\$ -	\$ 445,390

See accompanying Notes to Financial Statements.



**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

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

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at our disposal to meet those lending needs. Loans made to nonprofits range from \$20,000 to \$1,000,000, and loan clients are organizations of all sizes and stages of development.

**Tax Exempt Status**

NAF is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code. It has been classified as a public charity that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. NAF is also exempt from state income taxes. NAF evaluated its tax positions and determined that it has no uncertain tax positions.

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

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

**Financial Statement Presentation**

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of NAF and changes therein are classified and reported as:

**Unrestricted** – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose.

**Temporarily Restricted** – Those resources subject to donor-imposed restrictions that will be satisfied by action of NAF or by the passage of time.

**Permanently Restricted** – Those resources subject to a donor-imposed restriction that they be maintained permanently by NAF.

NAF has elected to present temporarily restricted contributions that are fulfilled in the same period within the unrestricted net assets class. NAF has no permanently restricted net assets as of March 31, 2016 and 2015.

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**Certificates of Deposit**

Certificates of deposit are carried at cost, which approximates fair value.

**Accounts and Grants Receivable**

Accounts receivable are stated at net realizable value. Management believes all accounts receivable are collectible at March 31, 2016 and 2015. Accordingly, no allowance for doubtful accounts has been recorded.

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

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

**Loans Receivable**

The loans receivable consist of notes with interest rates ranging from 2% to 8% with maturities through 2030. The board of directors has adopted a loan loss reserve policy. A loan loss reserve is maintained that is considered adequate to absorb losses inherent in the loan portfolio. NAF provides an allowance for uncollectible loans using the allowance method as well as a specific identification method. Interest income is not accrued on loans that are considered to be non-performing. Various loans are secured by business assets.

**Other Real Estate Owned**

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

**Gifts and Grants**

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are fulfilled in the same time period as the contribution is received, NAF presents such contributions in the unrestricted net assets class.

**Notes Payable with Below-Market Interest Rates**

After evaluation, it was determined that there is no material difference between prevailing community development finance market rates and the stated rate of any loans, notes payable, or other liabilities in NAF's portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2016 or 2015, respectively.

**Equipment**

All major expenditures \$500 or more for equipment are capitalized at cost. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

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

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Rents are allocated based on direct program or support service usage. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

**Fair Value Measurements**

NAF categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with accounting standards. NAF does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis.

**Subsequent Events**

In preparing these financial statements, NAF has evaluated events and transactions for potential recognition or disclosure through June 2, 2016, the date the financial statements were available to be issued.

**NOTE 2 LOANS RECEIVABLE**

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

<u>Year Ending March 31,</u>	<u>Amount</u>
2017, Net of Allowance of \$256,526	\$ 5,684,660
2018 through 2021, Net of Allowance of \$680,312	10,717,475
Thereafter, Net of Allowance of \$114,431	3,208,380
Total	<u>\$ 19,610,515</u>

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 2 LOANS RECEIVABLE (CONTINUED)**

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

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

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

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

Working capital/business loan credit is extended to nonprofit organizations for program expansion, short-term bridge loans, cash flow stabilization, and funding growth. These loans are often secured with business assets such as grants receivable or program revenue receivables, sometimes with other business assets such as liens on facilities, but may in some short-term situations be made on an unsecured basis.

Community facilities loan credit is generally extended to nonprofit organizations for building purchase, building repair, or renovation. Most of these loans are secured with first or second position mortgage liens.

Affordable housing loan credit is extended to nonprofit organizations specifically for the acquisition, construction, and/or renovation of single family or multi-family residences. Most of these loans are secured with mortgage liens or other business assets.

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 2 LOANS RECEIVABLE (CONTINUED)**

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

	Current	31-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total	Nonaccruing Loans
<u>As of March 31, 2016</u>						
Working Capital / Business	\$ 4,190,181	\$ -	\$ -	\$ 223,499	\$ 4,413,680	\$ -
Community Facilities	14,201,273	-	-	1,035,198	15,236,471	-
Affordable Housing	1,011,634	-	-	-	1,011,634	-
Total	<u>\$ 19,403,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,697</u>	<u>\$ 20,661,785</u>	<u>\$ -</u>
<u>As of March 31, 2015</u>						
Working Capital / Business	\$ 4,385,197	\$ -	\$ -	\$ 316,012	\$ 4,701,209	\$ 188,621
Community Facilities	15,119,600	-	-	141,445	15,261,045	-
Affordable Housing	750,315	-	-	-	750,315	-
Total	<u>\$ 20,255,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,457</u>	<u>\$ 20,712,569</u>	<u>\$ 188,621</u>

NAF uses an internal risk rating system to monitor the credit quality of its loan portfolio. At the time of loan approval, each loan is assigned an initial risk classification. Classifications are reviewed at least quarterly during the term of the loan and at any time there is a significant change, positive or negative, in the borrower's operations.

Loan credit quality is rated using letter designations from A to G, with A being the highest quality rating and G being the lowest. Each category is differentiated based on evaluation of financial measures, management and governance, collateral, payment history, and likelihood of full repayment. For reporting purposes in the following tables, ratings A, B, and C are grouped as Pass. Loans rated D are considered Watch. Loans with quality ratings of E and F are considered Substandard. Loans rated G are listed as Doubtful.

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

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 2 LOANS RECEIVABLE (CONTINUED)**

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

Allowance for loan losses: The allowance for loan losses (loan loss reserve) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the loan loss reserve when management confirms that the principal will not be collected. Subsequent recoveries, if any, are credited to the allowance.

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

	<u>Working Capital Business</u>	<u>Community Facilities</u>	<u>Affordable Housing</u>	<u>Total</u>
<u>March 31 2016</u>				
<i>Allowance for Loan Losses</i>				
Beginning Balance	\$ 381,147	\$ 628,951	\$ 25,531	\$ 1,035,629
Charge Offs	(21,587)	-	-	(21,587)
Recoveries	-	-	-	-
Provisions	(41,902)	77,454	1,676	37,228
Ending Balance	<u>\$ 317,658</u>	<u>\$ 706,405</u>	<u>\$ 27,207</u>	<u>\$ 1,051,270</u>
<i>Allowance for Loan Losses</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 140,635	\$ 288,765	\$ -	\$ 429,400
Ending Balance: Collectively Evaluated for Impairment	177,025	417,640	27,205	621,870
Total	<u>\$ 317,660</u>	<u>\$ 706,405</u>	<u>\$ 27,205</u>	<u>\$ 1,051,270</u>
<i>Financing Receivables</i>				
Ending Balance: Individually Evaluated for Impairment	\$ 584,752	\$ 1,599,363	\$ -	\$ 2,184,115
Ending Balance: Collectively Evaluated for Impairment	3,828,928	13,637,108	1,011,634	18,477,670
Total	<u>\$ 4,413,680</u>	<u>\$ 15,236,471</u>	<u>\$ 1,011,634</u>	<u>\$ 20,661,785</u>

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 2 LOANS RECEIVABLE (CONTINUED)**

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

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

During fiscal year 2016, NAF charged off two loans in the amount of \$21,587. Per its policy and practice, NAF had been evaluating the status of these loans periodically and had assigned reserves accordingly. At the time of the charge off, NAF had fully reserved against the potential loss. The balance of the loan loss reserve was reduced by the charge off.

**Concentrations**

As of March 31, 2016 the principal balance on two loans receivable from Charter Schools Development Corporation was \$2,974,844 or 14% of the total loans receivable. Of this amount, \$2,500,000 is fully guaranteed by Minnesota Business Partnership, which effectively mitigates any risk that might otherwise have arisen from this type of concentration.



**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 3 NOTES PAYABLE AND OTHER CAPITAL**

Notes payable consist of loans with stated interest from 1.5% to 4.0% and one recoverable grant, maturing through 2026. Principal payments on notes payable at March 31, 2016 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2017	\$ 2,480,246
2018	1,685,724
2019	2,260,716
2020	2,392,968
2021	42,430
Thereafter	5,226,762
Total	<u>\$ 14,088,846</u>

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

**NOTE 4 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL**

NAF has various revolving lines of credit and other sources of capital not yet drawn that are available for lending to nonprofit organizations. Stated interest rates for these lines range from 0.3% to LIBOR plus 3.0%. These lines are unsecured. There were no outstanding borrowings as of March 31, 2016 and 2015.

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

**NOTE 5 RELATED-PARTY TRANSACTIONS**

Through an employee services agreement that was in effect until January 1, 2015, NAF reimbursed TMF for salaries, payroll taxes, and benefits of NAF employees. During the year ended March 31, 2015, NAF incurred expenses of \$636,921 for these services. Beginning January 1, 2015, NAF took over administration of its own payroll and benefits plans, thus there were no expense incurred for these previously provided TMF services as of March 31, 2016. As a supporting organization of TMF, NAF pays for a share of certain business and liability insurance expenses covered by blanket policies held by TMF. NAF paid TMF a total of \$6,507 and \$10,000 for its proportionate share of business liability, workers compensation, and directors and officers insurances.

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 5 RELATED-PARTY TRANSACTIONS (CONTINUED)**

NAF has a \$2 million revolving line of credit with TMF. The line is unsecured and bears interest at TMF's cash management rate plus 0.25%, which in 2016 brought the effective rate to 0.30%. There were no outstanding borrowings as of March 31, 2016 and 2015. In addition, NAF has two notes payable with TMF through the Community Nonprofits Investment pool of TMF. These program-related investments (PRI) totaled \$1,818,500 as of March 31, 2016 and 2015. The interest rate on both loans is 2.00%, payable annually on January 1st with maturity dates on January 1, 2017 and 2018. Total interest expense incurred by NAF on these PRIs was \$36,370 for the years ended March 31, 2016 and 2015.

**NOTE 6 RETIREMENT PLAN**

After completing at least two years of service, regular full-time employees and part-time employees working at least 20 hours per week are eligible to participate in a Simplified Employee Pension Plan (SEP). The Plan provides for annual discretionary contributions to eligible employees' SEP-IRA accounts. Retirement plan expense was \$31,231 and \$45,598 for the years ended March 31, 2016 and 2015, respectively.

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

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

	2016	2015
Restricted for Specific Purposes	\$ 491,384	\$ 703,405
Restricted for Use Due to Time	49,836	349,088
Total	<u>\$ 541,220</u>	<u>\$ 1,052,493</u>

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

	2016	2015
Program Release	\$ 485,521	\$ 395,410
Time Release	49,900	-
Total	<u>\$ 535,421</u>	<u>\$ 395,410</u>

**NONPROFITS ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

**NOTE 8 LEASE OBLIGATION**

On March 1, 2010, NAF entered into an 84-month operating lease agreement for office space. Computed on a straight-line basis, rent expense was \$47,907 and \$47,907 for the years ended March 31, 2016 and 2015, respectively. In October 2013, NAF entered into a 60-month capital lease agreement for a copier/printer, recording \$10,342 as a fixed asset. As of March 31, 2016 and 2015, accumulated depreciation on the copier/printer was \$4,789 and \$2,762, respectively. NAF also leases other office equipment under an operating lease, which was renewed in 2015. Total equipment lease expense was \$336 and \$335 for the years ended March 31, 2016 and 2015, respectively.

Future minimum lease payments under all leases as of March 31, 2016 are:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier/ Printer</u>	<u>Other</u>	<u>Total</u>
2017	\$ 48,581	\$ 2,244	\$ 120	\$ 50,945
2018	-	2,244	-	2,244
2019	-	1,309	-	1,309
2020	-	-	-	-
2021	-	-	-	-
Future Minimum Payments	<u>48,581</u>	<u>5,797</u>	<u>120</u>	<u>54,498</u>
Less: Interest	<u>-</u>	<u>(244)</u>	<u>-</u>	<u>(244)</u>
Present Value of Future Minimum Payments	<u>\$ 48,581</u>	<u>\$ 5,553</u>	<u>\$ 120</u>	<u>\$ 54,254</u>

**NONPROFITS ASSISTANCE FUND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINANCIAL POSITION BY FUND  
MARCH 31, 2016**

	Unrestricted			Temporarily Restricted			Total
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 619,232	\$ 1,262,293	\$ 1,881,525	\$ 491,384	\$ -	\$ 491,384	\$ 2,372,909
Certificates of Deposit	-	201,057	201,057	-	-	-	201,057
Accounts and Grants Receivable	36,059	-	36,059	49,836	-	49,836	85,895
Loans Receivable, Net of Allowance of \$256,526	-	5,684,660	5,684,660	-	-	-	5,684,660
Loan Interest Receivable	72,064	-	72,064	-	-	-	72,064
Prepays	32,395	-	32,395	-	-	-	32,395
Total Current Assets	<u>759,750</u>	<u>7,148,010</u>	<u>7,907,760</u>	<u>541,220</u>	<u>-</u>	<u>541,220</u>	<u>8,448,980</u>
<b>NONCURRENT ASSETS</b>							
Loans Receivable, Net of Allowance of \$794,743	-	13,925,855	13,925,855	-	-	-	13,925,855
Other Real Estate Owned	-	464,107	464,107	-	-	-	464,107
Certificates of Deposit	281,862	251,886	533,748	-	-	-	533,748
Equipment, Net of Depreciation	63,453	-	63,453	-	-	-	63,453
Total Noncurrent Assets	<u>345,315</u>	<u>14,641,848</u>	<u>14,987,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,987,163</u>
Total Assets	<u>\$ 1,105,065</u>	<u>\$ 21,789,858</u>	<u>\$ 22,894,923</u>	<u>\$ 541,220</u>	<u>\$ -</u>	<u>\$ 541,220</u>	<u>\$ 23,436,143</u>

**NONPROFITS ASSISTANCE FUND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)  
MARCH 31, 2016**

	Unrestricted			Temporarily Restricted			Total
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current Portion of Notes Payable	\$ -	\$ 2,380,246	\$ 2,380,246	\$ -	\$ -	\$ -	\$ 2,380,246
Accounts Payable and Accrued Expenses	105,980	4,904	110,884	-	-	-	110,884
Current Portion of Capital Lease Obligation	2,094	-	2,094	-	-	-	2,094
Interest Payable	48,188	-	48,188	-	-	-	48,188
Deferred Revenue	5,420	-	5,420	-	-	-	5,420
Recoverable Grants	-	100,000	100,000	-	-	-	100,000
Total Current Liabilities	161,682	2,485,150	2,646,832	-	-	-	2,646,832
<b>LONG TERM LIABILITIES</b>							
Notes Payable, Net of Current Maturities	-	11,608,600	11,608,600	-	-	-	11,608,600
Recoverable Grants	-	-	-	-	-	-	-
Capital Lease Obligations (Net of Current Portion)	3,459	-	3,459	-	-	-	3,459
Total Long-Term Liabilities	3,459	11,608,600	11,612,059	-	-	-	11,612,059
Total Liabilities	165,141	14,093,750	14,258,891	-	-	-	14,258,891
<b>NET ASSETS</b>							
Unrestricted Net Assets:							
Undesignated	939,924	5,696,108	6,636,032	-	-	-	6,636,032
Designated for Lending	-	2,000,000	2,000,000	-	-	-	2,000,000
Total Unrestricted Net Assets	939,924	7,696,108	8,636,032	-	-	-	8,636,032
Temporarily Restricted Net Assets	-	-	-	541,220	-	541,220	541,220
Total Net Assets	939,924	7,696,108	8,636,032	541,220	-	541,220	9,177,252
Total Liabilities and Net Assets	\$ 1,105,065	\$ 21,789,858	\$ 22,894,923	\$ 541,220	\$ -	\$ 541,220	\$ 23,436,143

**NONPROFITS ASSISTANCE FUND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF ACTIVITIES BY FUND  
YEAR ENDED MARCH 31, 2016**

	Unrestricted			Temporarily Restricted			Total
	Program and Operations	Loan Fund	Total	Program and Operations	Loan Fund	Total	
<b>REVENUES</b>							
Gifts and Grants	\$ 98,764	\$ 670,653	\$ 769,417	\$ 284,844	\$ (260,696)	\$ 24,148	\$ 793,565
Loan Interest Income	1,191,074	-	1,191,074	-	-	-	1,191,074
Loan Fee Revenue	70,057	-	70,057	-	-	-	70,057
Program Revenue	96,223	-	96,223	-	-	-	96,223
Investment Income	15,835	-	15,835	-	-	-	15,835
Other Income	24,841	-	24,841	-	-	-	24,841
Net Assets Released from Restrictions	435,421	100,000	535,421	(433,201)	(102,220)	(535,421)	-
Total Revenues	<u>1,932,215</u>	<u>770,653</u>	<u>2,702,868</u>	<u>(148,357)</u>	<u>(362,916)</u>	<u>(511,273)</u>	<u>2,191,595</u>
<b>EXPENSES</b>							
Program Service:							
Program Expenses	1,187,080	-	1,187,080	-	-	-	1,187,080
Interest Expense	379,530	-	379,530	-	-	-	379,530
Provision for Loan Loss Reserve	37,228	-	37,228	-	-	-	37,228
Management and General	252,394	-	252,394	-	-	-	252,394
Fundraising	15,220	-	15,220	-	-	-	15,220
Total Expenses	<u>1,871,452</u>	<u>-</u>	<u>1,871,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,871,452</u>
<b>CHANGE IN NET ASSETS</b>	60,763	770,653	831,416	(148,357)	(362,916)	(511,273)	320,143
Net Assets - Beginning of Year	<u>879,161</u>	<u>6,925,455</u>	<u>7,804,616</u>	<u>689,577</u>	<u>362,916</u>	<u>1,052,493</u>	<u>8,857,109</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 939,924</u></u>	<u><u>\$ 7,696,108</u></u>	<u><u>\$ 8,636,032</u></u>	<u><u>\$ 541,220</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 541,220</u></u>	<u><u>\$ 9,177,252</u></u>