

NONPROFITS ASSISTANCE FUND

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED MARCH 31, 2008 AND 2007

**NONPROFITS ASSISTANCE FUND
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Nonprofits Assistance Fund
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of the Nonprofits Assistance Fund (a nonprofit organization) as of March 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nonprofits Assistance Fund as of March 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit as of and for the year ended March 31, 2008 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


LarsonAllen LLP

Minneapolis, Minnesota
June 4, 2008

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2008 AND 2007**

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,905,845	\$ 4,864,400
Certificates of Deposit	300,000	1,100,000
Accounts Receivable	7,429	107,765
Loans Receivable, Net Allowance of \$626,384 and \$522,655, Respectively	3,560,508	4,751,686
Loan Interest Receivable	76,552	61,599
Prepays	2,877	2,877
Total Current Assets	9,853,211	10,888,327
NONCURRENT ASSETS		
Loans Receivable	4,771,174	3,324,103
Equipment, Net	25,128	23,919
Total Noncurrent Assets	4,796,302	3,348,022
Total Assets	\$ 14,649,513	\$ 14,236,349
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 3,596,971	\$ 1,465,107
Accounts Payable and Accrued Expenses	95,823	89,144
Interest Payable	49,824	42,386
Deferred Revenue	2,160	2,745
Total Current Liabilities	3,744,778	1,599,382
LONG-TERM LIABILITIES		
Notes Payable, Net	6,874,850	8,356,132
Total Long-Term Liabilities	6,874,850	8,356,132
Total Liabilities	10,619,628	9,955,514
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	1,492,056	3,448,086
Designated for Lending	2,000,000	-
Total Unrestricted Net Assets	3,492,056	3,448,086
Temporarily Restricted Net Assets	537,829	832,749
Total Net Assets	4,029,885	4,280,835
Total Liabilities and Net Assets	\$ 14,649,513	\$ 14,236,349

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2008 AND 2007**

	2008		2007			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Gifts and Grants	\$ 15,000	\$ 30,500	\$ 45,500	\$ 2,196,360	\$ 282,000	\$ 2,478,360
Loan Interest Income	663,264	-	663,264	613,496	-	613,496
Investment Income	264,855	-	264,855	262,412	-	262,412
Contribution Revenue	-	187,881	187,881	65,345	-	65,345
Other Revenue	76,740	-	76,740	56,634	-	56,634
Net Assets Released from Restrictions	513,301	(513,301)	-	343,724	(343,724)	-
Total Revenues	1,533,160	(294,920)	1,238,240	3,537,971	(61,724)	3,476,247
EXPENSES						
Program Services:						
Program Expenses	959,830	-	959,830	820,238	-	820,238
Interest Expense	364,934	-	364,934	400,054	-	400,054
Management and General	154,822	-	154,822	125,964	-	125,964
Fundraising	9,604	-	9,604	10,953	-	10,953
Total Expenses	1,489,190	-	1,489,190	1,357,209	-	1,357,209
CHANGE IN NET ASSETS	43,970	(294,920)	(250,950)	2,180,762	(61,724)	2,119,038
Net Assets - Beginning of Year	3,448,086	832,749	4,280,835	1,267,324	894,473	2,161,797
NET ASSETS - END OF YEAR	\$ 3,492,056	\$ 537,829	\$ 4,029,885	\$ 3,448,086	\$ 832,749	\$ 4,280,835

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (250,950)	\$ 2,119,038
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation Expense	11,348	13,144
Net Change in the Discount on Notes Payable with Below-Market Interest Rates	(43,163)	127,774
Forgiveness of Debt	-	(2,091,035)
Changes in Assets and Liabilities:		
Accounts Receivable	100,336	(69,975)
Loan Interest Receivable	(14,953)	784
Accounts Payable	6,679	(15,971)
Interest Payable	7,438	(75,623)
Deferred Revenue	(585)	(990)
Net Cash Provided (Used) by Operating Activities	(183,850)	7,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Loans Receivable	(255,893)	(895,594)
Purchase of Equipment	(12,557)	(13,502)
Net Change in Certificates of Deposit	800,000	1,025,500
Net Cash Provided by Investing Activities	531,550	116,404
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	1,035,000	1,010,000
Principal Payments on Notes Payable	(341,255)	(110,980)
Payment of Subordinated Debt to The Minneapolis Foundation	-	(75,001)
Net Cash Provided by Financing Activities	693,745	824,019
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,041,445	947,569
Cash and Cash Equivalents - Beginning of Year	4,864,400	3,916,831
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,905,845	\$ 4,864,400
SUPPLEMENTAL CASH FLOW INFORMATION		
Forgiveness of Debt	\$ -	\$ 2,091,035
Interest Paid During the Year	\$ 212,778	\$ 199,234

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nonprofits Assistance Fund (NAF) was created as a Type I supporting organization of The Minneapolis Foundation (TMF) on October 1, 1998. NAF is nonprofit organization incorporated in the state of Minnesota. The Organization consists of several component loan and technical assistance programs that are designed to increase the financial stability and economic vitality of not-for-profit organizations in Minnesota and throughout the United States. NAF's programs are as follows:

Minnesota Nonprofits Assistance Fund (MNAF) – For 28 years MNAF has built the financial capacity of Minnesota nonprofits to achieve their missions by offering loans and financial management training and technical assistance. MNAF loans provide working capital to expand programs and services, repair and expand facilities, and smooth over cash flow shortfalls.

Minnesota Primary Care (MPC) Loan Fund – Through this fund, NAF provides financing tailored to the needs of health care nonprofits to help address the unmet health care needs of Minnesota's rural and underserved urban communities.

Working Capital Fund (WCF) – A national program designed to strengthen leading culturally-specific arts organizations with resources to build management and financial capacity and access to loans for working capital.

Tax Exempt Status

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Service Code and from Minnesota income taxes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code. Charitable contributions by donors are tax deductible.

Financial Statement Presentation

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

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

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

Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same period, within the unrestricted net assets class. The Organization has no permanently restricted net assets as of March 31, 2008 and 2007.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying financial statements of the Organization 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

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

Certificates of Deposit

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

Accounts Receivable

Accounts receivable are stated at net realizable value. Management believes all accounts receivable are collectible at March 31, 2008 and 2007, accordingly, no allowance for doubtful accounts has been recorded.

Loans Receivable

The loans receivable consist of notes with interest rates ranging from 2% to 10% with maturities through 2018. 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. The Organization 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.

Equipment

All major expenditures 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.

Notes Payable with Below-Market Interest Rates

Certain of the Organization's notes payable have below-market interest rates that mature at various dates through 2017. NAF discounts certain notes payable with below-market interest rates with original maturities in excess of one year. The discount is calculated based on the difference between the notes actual rate of interest and the market rates for comparable loans at the notes inception or renewal date. The discount is recorded as temporarily restricted contribution revenue and is amortized using the effective interest rate method over the life of the note. The discount on notes payable was \$196,113 and \$152,950 at March 31, 2008 and 2007, respectively. The amortization of the discount is included as a component of interest expense and net assets released from restriction. The amortization of the discount was \$144,718 and \$127,774 for the years ended March 31, 2008 and 2007, respectively.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

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

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.

NOTE 2 LOANS RECEIVABLE

Anticipated principal payments on loans receivable as of March 31, 2008 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2009 (Net of Allowance of \$626,384)	\$ 3,560,508
2010 through 2013	4,356,187
Thereafter	414,987
Total	<u>\$ 8,331,682</u>

NAF has the following commitments as of March 31, 2008:

Available Letters of Credit, with Maturities through January 2009	\$ 280,615
Available Lines of Credit, with Maturities through December 2010	756,805
Guarantees of Indebtedness of Others	175,000
Loans Closed but not Disbursed as of Year-End	239,500

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 3 NOTES PAYABLE

Notes payable consist of loans with stated interest from 0% to 5.25%, maturing through 2017. Principal payments on notes payable are as follows:

Year Ending March 31,	Amount
2009	\$ 3,596,971
2010	394,104
2011	17,883
2012	517,676
2013	1,611,459
Thereafter	4,529,841
Subtotal	10,667,934
Less: Discount on Notes Payable with Imputed Interest Rates from 4% to 7.25%	(196,113)
Total	\$ 10,471,821

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

NOTE 4 LINE OF CREDIT

NAF has a \$1-million revolving line of credit with TMF. The line is unsecured, and bears interest at TMF's cash management rate + .25%. There were no outstanding borrowings as of March 31, 2008 and 2007.

NOTE 5 RELATED-PARTY TRANSACTIONS

The Organization reimburses TMF for salaries and benefits of its employees under an employer-services agreement. During the years ended March 31, 2008 and 2007, NAF paid \$486,620 and \$431,776, respectively, for these services. As of March 31, 2008 and 2007, NAF owes TMF \$46,450 and \$55,037, respectively, for these services.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Restricted for Specific Purposes:		
Minnesota Nonprofits Assistance Fund	\$ 314,881	\$ 606,837
Working Capital Program Fund	26,835	72,962
	<u>341,716</u>	<u>679,799</u>
Restricted for Use Due to Time:		
Minnesota Nonprofits Assistance Fund	42,747	67,401
Minnesota Primary Care Fund	153,366	-
Working Capital Program Fund	-	85,549
	<u>196,113</u>	<u>152,950</u>
Total	<u>\$ 537,829</u>	<u>\$ 832,749</u>

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

	<u>2008</u>	<u>2007</u>
Program Release:		
Minnesota Nonprofits Assistance Fund	\$ 322,456	\$ 201,140
Minnesota primary Care Fund	-	5,000
Working Capital Program Fund	46,127	9,810
Time Release (Imputed Interest on Discount Notes Payable)	<u>144,718</u>	<u>127,774</u>
Total	<u>\$ 513,301</u>	<u>\$ 343,724</u>

NOTE 7 LEASE OBLIGATION

On July 1, 2005, the Organization entered into a 60-month noncancelable operating lease agreement for office space. Rent expense was \$29,078 and \$27,743 for the years ended March 31, 2008 and 2007, respectively. NAF also leases office equipment under operating leases expiring in various years through 2010. Total equipment lease expense was \$4,317 and \$3,958 for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments under all noncancelable operating leases as of March 31, 2008 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2009	\$ 34,098
2010	33,998
2011	13,358
Total Minimum Lease Payments	<u>\$ 81,454</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007**

NOTE 8 RETIREMENT PLAN

After completing at least one year 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). Sponsored by TMF, the Plan provides for annual discretionary contributions to eligible employees SEP-IRA accounts. In the years ended March 31, 2008 and 2007, the discretionary contribution percentage was 11% of employees' salaries and wages. Retirement plan expense was \$37,861 and \$32,444 for the years ended March 31, 2008 and 2007, respectively.

**NONPROFITS ASSISTANCE FUND
SCHEDULE OF FINANCIAL POSITION BY PROGRAM
MARCH 31, 2008**

ASSETS	MNAF	EFund	MPC	WCF Loan	WCF Program	Corporate & Fundraising	Total
Cash and Cash Equivalents	\$ 1,872,108	\$ 181,712	\$ 802,783	\$ 2,910,655	\$ 29,847	\$ 108,740	\$ 5,905,845
Certificates of Deposit	300,000	-	-	-	-	-	300,000
Accounts Receivable	7,429	-	-	-	-	-	7,429
Loans Receivable, Net of Allowance	8,012,861	51,880	335,390	(68,449)	-	-	8,331,682
Loan Interest Receivable	75,213	258	1,048	33	-	-	76,552
Prepays	-	-	-	-	-	2,877	2,877
Equipment, Net	-	-	-	-	-	25,128	25,128
Total Assets	\$ 10,267,611	\$ 233,850	\$ 1,139,221	\$ 2,842,239	\$ 29,847	\$ 136,745	\$ 14,649,513

LIABILITIES AND NET ASSETS

Liabilities:							
Notes Payable, Net	\$ 7,633,622	\$ 26,446	\$ 907,222	\$ 1,904,531	\$ -	\$ -	\$ 10,471,821
Accounts Payable and Accrued Expenses	62,356	1,159	5,054	7,582	3,012	16,660	95,823
Interest Payable	45,688	-	-	4,136	-	-	49,824
Deferred Revenue	2,160	-	-	-	-	-	2,160
Total Liabilities	7,743,826	27,605	912,276	1,916,249	3,012	16,660	10,619,628
Net Assets:							
Unrestricted Net Assets - Undesignated	166,157	206,245	73,579	925,990	-	120,085	1,492,056
Unrestricted Net Assets - Designated for Lending	2,000,000	-	-	-	-	-	2,000,000
Temporarily Restricted Net Assets	357,628	-	153,366	-	26,835	-	537,829
Total Net Assets	2,523,785	206,245	226,945	925,990	26,835	120,085	4,029,885
Total Liabilities and Net Assets	\$ 10,267,611	\$ 233,850	\$ 1,139,221	\$ 2,842,239	\$ 29,847	\$ 136,745	\$ 14,649,513

**NONPROFITS ASSISTANCE FUND
SCHEDULE OF ACTIVITIES BY PROGRAM
YEAR ENDED MARCH 31, 2008**

	MNAF	EFund	MPC	WCF Loan	WCF Program	Corporate & Fundraising	Eliminations	Total
REVENUES								
Gifts and Grants	\$ 45,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,500
Loan Interest Income	614,723	5,837	26,893	15,811	-	-	-	663,264
Investment Income	76,675	7,382	31,521	131,857	-	17,420	-	264,855
Contribution Revenue	-	-	187,881	-	-	-	-	187,881
Other Revenue	73,740	-	3,000	-	-	145,000	(145,000)	76,740
Total Revenue	<u>810,638</u>	<u>13,219</u>	<u>249,295</u>	<u>147,668</u>	<u>-</u>	<u>162,420</u>	<u>(145,000)</u>	<u>1,238,240</u>
EXPENSES								
Program Services:								
Program Expenses	806,151	10,943	44,744	51,865	46,127	-	-	959,830
Interest Expense	228,330	-	34,515	102,089	-	-	-	364,934
Management and General Fundraising	113,100	2,900	10,150	18,850	-	154,822	(145,000)	154,822
Total Expenses	<u>1,147,581</u>	<u>13,843</u>	<u>89,409</u>	<u>172,804</u>	<u>46,127</u>	<u>164,426</u>	<u>(145,000)</u>	<u>1,489,190</u>
Change in Unrestricted Net Assets	(20,333)	(624)	6,520	60,413	-	(2,006)	-	43,970
Change in Temporarily Restricted Net Assets	(316,610)	-	153,366	(85,549)	(46,127)	-	-	(294,920)
CHANGE IN NET ASSETS	(336,943)	(624)	159,886	(25,136)	(46,127)	(2,006)	-	(250,950)
Net Assets - Beginning of Year	2,860,728	206,869	67,059	951,126	72,962	122,091	-	4,280,835
NET ASSETS - END OF YEAR	<u>\$ 2,523,785</u>	<u>\$ 206,245</u>	<u>\$ 226,945</u>	<u>\$ 925,990</u>	<u>\$ 26,835</u>	<u>\$ 120,085</u>	<u>\$ -</u>	<u>\$ 4,029,885</u>