

NONPROFITS ASSISTANCE FUND
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED MARCH 31, 2009 AND 2008

**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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 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
May 20, 2009

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2009 AND 2008**

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,094,722	\$ 5,905,845
Certificates of Deposit	2,000,000	300,000
Accounts Receivable	28,207	7,429
Loans Receivable, Net Allowance of \$679,174 and \$626,384, Respectively	3,879,220	3,560,508
Loan Interest Receivable	60,574	76,552
Prepays	7,606	2,877
Total Current Assets	9,070,329	9,853,211
NONCURRENT ASSETS		
Loans Receivable	4,634,488	4,771,174
Equipment, Net	14,970	25,128
Total Noncurrent Assets	4,649,458	4,796,302
Total Assets	\$ 13,719,787	\$ 14,649,513
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 504,032	\$ 3,596,971
Accounts Payable and Accrued Expenses	136,373	95,823
Interest Payable	21,633	49,824
Deferred Revenue	1,740	2,160
Total Current Liabilities	663,778	3,744,778
LONG-TERM LIABILITIES		
Notes Payable, Net	8,201,993	6,874,850
Total Long-Term Liabilities	8,201,993	6,874,850
Total Liabilities	8,865,771	10,619,628
NET ASSETS		
Unrestricted Net Assets		
Undesignated	1,825,051	1,492,056
Designated for Lending	2,000,000	2,000,000
Total Unrestricted Net Assets	3,825,051	3,492,056
Temporarily Restricted Net Assets	1,028,965	537,829
Total Net Assets	4,854,016	4,029,885
Total Liabilities and Net Assets	\$ 13,719,787	\$ 14,649,513

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2009 AND 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Gifts and Grants	\$ 1,000	\$ 1,368,403	\$ 1,369,403	\$ 15,000	\$ 30,500	\$ 45,500
Loan Interest Income	727,885	-	727,885	663,264	-	663,264
Investment Income	89,915	-	89,915	264,855	-	264,855
Contribution Revenue	-	5,930	5,930	-	187,881	187,881
Other Revenue	100,739	-	100,739	76,740	-	76,740
Net Assets Released from Restrictions	883,197	(883,197)	-	513,301	(513,301)	-
Total Revenues	<u>1,802,736</u>	<u>491,136</u>	<u>2,293,872</u>	<u>1,533,160</u>	<u>(294,920)</u>	<u>1,238,240</u>
EXPENSES						
Program Services:						
Program Expenses	1,004,593	-	1,004,593	959,830	-	959,830
Interest Expense	282,093	-	282,093	364,934	-	364,934
Management and General	173,070	-	173,070	154,822	-	154,822
Fundraising	9,985	-	9,985	9,604	-	9,604
Total Expenses	<u>1,469,741</u>	<u>-</u>	<u>1,469,741</u>	<u>1,489,190</u>	<u>-</u>	<u>1,489,190</u>
CHANGE IN NET ASSETS	332,995	491,136	824,131	43,970	(294,920)	(250,950)
Net Assets - Beginning of Year	<u>3,492,056</u>	<u>537,829</u>	<u>4,029,885</u>	<u>3,448,086</u>	<u>832,749</u>	<u>4,280,835</u>
NET ASSETS - END OF YEAR	<u>\$ 3,825,051</u>	<u>\$ 1,028,965</u>	<u>\$ 4,854,016</u>	<u>\$ 3,492,056</u>	<u>\$ 537,829</u>	<u>\$ 4,029,885</u>

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 824,131	\$ (250,950)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation Expense	12,391	11,348
Net Change in the Discount on Notes Payable with Below-Market Interest Rates	52,524	(43,163)
Changes in Assets and Liabilities:		
Accounts Receivable	(20,778)	100,336
Loan Interest Receivable	15,978	(14,953)
Prepays	(4,729)	-
Accounts Payable	40,550	6,679
Interest Payable	(28,191)	7,438
Deferred Revenue	(420)	(585)
Net Cash Provided (Used) by Operating Activities	891,456	(183,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Loans Receivable	(182,026)	(255,893)
Purchase of Equipment	(2,233)	(12,557)
Net Change in Certificates of Deposit	(1,700,000)	800,000
Net Cash Provided (Used) by Investing Activities	(1,884,259)	531,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	1,116,666	1,035,000
Principal Payments on Notes Payable	(2,934,986)	(341,255)
Net Cash Provided (Used) by Financing Activities	(1,818,320)	693,745
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,811,123)	1,041,445
Cash and Cash Equivalents - Beginning of Year	5,905,845	4,864,400
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,094,722	\$ 5,905,845
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid During the Year	\$ 251,830	\$ 212,778

See accompanying Notes to Financial Statements.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

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 a nonprofit organization incorporated in the state of Minnesota. The Organization consists of several component loan and technical assistance programs that are designed to build financially healthy nonprofits that foster community vitality in the Twin Cities metro area, Greater Minnesota, and neighboring states. NAF's programs are as follows:

Minnesota Nonprofits Assistance Fund (MNAF) – For 29 years MNAF has built the financial capacity of Minnesota nonprofits to achieve their missions by offering loans, technical assistance, and financial management training. 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.

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.

The Organization has elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Organization follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax positions.

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 – 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 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, 2009 and 2008.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

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, 2009 and 2008, 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.

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 2012. 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 \$143,589 and \$196,113 at March 31, 2009 and 2008, 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 \$58,454 and \$144,718 for the years ended March 31, 2009 and 2008, respectively.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

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.

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.

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

SFAS No. 157, *Fair Value Measurements*, 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. The Organization does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

NOTE 2 LOANS RECEIVABLE

Anticipated principal payments on loans receivable as of March 31, 2009, are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2010 (Net of Allowance of \$679,174)	\$ 3,879,220
2011 through 2014	4,569,769
Thereafter	64,719
Total	<u>\$ 8,513,708</u>

NAF has the following commitments as of March 31, 2009:

Available Letters to Credit with Maturities through September 2010	\$ 311,750
Available Lines of Credit with Maturities through September 2011	1,447,470
Guarantees of Indebtedness of Others	175,000
Loans Closed but not Fully Disbursed as of Year-End	865,000
Total Commitments	<u>\$ 2,799,220</u>

NOTE 3 NOTES PAYABLE

Notes payable consist of loans with stated interest from 0% to 5%, maturing through 2017. Principal payments on notes payable are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2010	\$ 504,032
2011	135,386
2012	1,301,216
2013	1,617,681
2014	3,261,459
Thereafter	2,029,840
Subtotal	<u>8,849,614</u>
Less: Discount on Notes Payable with Imputed Interest Rates from 4% to 7.25%	(143,589)
Total	<u>\$ 8,706,025</u>

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, 2009 and 2008.

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

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, 2009 and 2008, NAF incurred expenses of \$613,614 and \$524,444, respectively, for these services. As of March 31, 2009 and 2008, NAF owes TMF \$46,826 and \$46,450, respectively, for these services.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Restricted for Specific Purposes:		
Minnesota Nonprofits Assistance Fund	\$ 885,376	\$ 314,881
Working Capital Program Fund	-	26,835
	<u>885,376</u>	<u>341,716</u>
Restricted for Use Due to Time:		
Minnesota Nonprofits Assistance Fund	26,205	42,747
Minnesota Primary Care Fund	117,384	153,366
	<u>143,589</u>	<u>196,113</u>
Total	<u>\$ 1,028,965</u>	<u>\$ 537,829</u>

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

	<u>2009</u>	<u>2008</u>
Program Release	\$ 824,743	\$ 368,583
Time Release (Imputed Interest on Discount Notes Payable)	58,454	144,718
Total	<u>\$ 883,197</u>	<u>\$ 513,301</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 \$30,311 and \$29,078 for the years ended March 31, 2009 and 2008, respectively. NAF also leases office equipment under operating leases expiring in various years through 2010. Total equipment lease expense was \$4,317 and \$4,317 for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments under all noncancelable operating leases as of March 31, 2009 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2010	\$ 34,157
2011	13,358
Total Minimum Lease Payments	<u>\$ 47,515</u>

**NONPROFITS ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009 AND 2008**

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. Retirement plan expense was \$43,925 and \$37,861 for the years ended March 31, 2009 and 2008, respectively.

**NONPROFITS ASSISTANCE FUND
SCHEDULE OF FINANCIAL POSITION BY PROGRAM
MARCH 31, 2009**

ASSETS	<u>MNAF</u>	<u>MPC</u>	<u>Administration & Fundraising</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,810,439	\$ 164,010	\$ 120,273	\$ 3,094,722
Certificates of Deposit	1,750,000	250,000	-	2,000,000
Accounts Receivable	27,669	99	439	28,207
Loans Receivable, Net of Allowance	7,797,677	716,031	-	8,513,708
Loan Interest Receivable	58,628	1,946	-	60,574
Prepays	663	89	6,854	7,606
Equipment, Net	-	-	14,970	14,970
Total Assets	<u>\$ 12,445,076</u>	<u>\$ 1,132,175</u>	<u>\$ 142,536</u>	<u>\$ 13,719,787</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Notes Payable, Net	\$ 7,769,958	\$ 936,067	\$ -	\$ 8,706,025
Accounts Payable and Accrued Expenses	111,448	5,768	19,157	136,373
Interest Payable	21,633	-	-	21,633
Deferred Revenue	1,740	-	-	1,740
Total Liabilities	<u>7,904,779</u>	<u>941,835</u>	<u>19,157</u>	<u>8,865,771</u>
NET ASSETS				
Unrestricted Net Assets - Undesignated	1,628,716	72,956	123,379	1,825,051
Unrestricted Net Assets - Designated for Lending	2,000,000	-	-	2,000,000
Temporarily Restricted Net Assets	911,581	117,384	-	1,028,965
Total Net Assets	<u>4,540,297</u>	<u>190,340</u>	<u>123,379</u>	<u>4,854,016</u>
Total Liabilities and Net Assets	<u>\$ 12,445,076</u>	<u>\$ 1,132,175</u>	<u>\$ 142,536</u>	<u>\$ 13,719,787</u>

**NONPROFITS ASSISTANCE FUND
SCHEDULE OF ACTIVITIES BY PROGRAM
YEAR ENDED MARCH 31, 2009**

	MNAF	MPC	Administration & Fundraising	Eliminations	Total
REVENUES					
Gifts and Grants	\$ 1,369,403	\$ -	\$ -	\$ -	\$ 1,369,403
Loan Interest Income	688,406	39,482	-	-	727,885
Investment Income	79,797	9,069	1,049	-	89,915
Contribution Revenue	5,930	-	-	-	5,930
Other Revenue	96,489	2,250	185,300	(183,300)	100,739
Total Revenue	<u>2,240,025</u>	<u>50,801</u>	<u>186,349</u>	<u>(183,300)</u>	<u>2,293,872</u>
EXPENSES					
Program Services:					
Program Expenses	963,169	41,424	-	-	1,004,593
Interest Expense	246,111	35,982	-	-	282,093
Management and General	173,300	10,000	173,070	(183,300)	173,070
Fundraising	-	-	9,985	-	9,985
Total Expenses	<u>1,382,580</u>	<u>87,406</u>	<u>183,055</u>	<u>(183,300)</u>	<u>1,469,741</u>
Change in Unrestricted Net Assets	330,324	(623)	3,294	-	332,995
Change in Temporarily Restricted Net Assets	-	-	-	-	-
	<u>527,118</u>	<u>(35,982)</u>	<u>-</u>	<u>-</u>	<u>491,136</u>
CHANGE IN NET ASSETS	857,442	(36,605)	3,294	-	824,131
Net Assets - Beginning of Year	<u>3,682,855</u>	<u>226,945</u>	<u>120,085</u>	<u>-</u>	<u>4,029,885</u>
NET ASSETS - END OF YEAR	<u>\$ 4,540,297</u>	<u>\$ 190,340</u>	<u>\$ 123,379</u>	<u>\$ -</u>	<u>\$ 4,854,016</u>