NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Area Foundation
St. Paul, Minnesota

We have audited the accompanying financial statements of Northwest Area Foundation (the Foundation), a Minnesota nonprofit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and change in net assets and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, 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 audit 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.

Board of Directors
Northwest Area Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Area Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended and functional expenses as of December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 7, 2019

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 316,234	$ 460,040
Grants Receivable	575,000	-
Receivable for Securities with Settlements Pending	2,720,545	3,001,006
Accrued Investment Income	29,490	35,853
Investments	419,541,935	462,811,603
Program-Related Investments	6,736,062	6,053,984
Other Assets	220,266	191,985
Fixed Assets	455,369	563,464
Total Assets	$ 430,594,901	$ 473,117,935
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	$ 468,345	$ 323,230
Payables for Securities with Settlements Pending	-	15,668
Unpaid Grant Commitments	7,026,432	9,312,702
Leasehold Incentives	148,818	180,148
Deferred Taxes	1,126,313	1,472,062
Total Liabilities	8,769,908	11,303,810
NET ASSETS		
Without Donor Restrictions	411,500,699	451,489,831
With Donor Restrictions	10,324,294	10,324,294
Total Net Assets	421,824,993	461,814,125
Total Liabilities and Net Assets	$ 430,594,901	$ 473,117,935

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Contribution Revenue	$ 3,750,000	$ -	$ 3,750,000	$ -	$ -	$ -
Dividends and Interest	11,807,760	-	11,807,760	5,964,053	-	5,964,053
Realized Gains on Investments	3,760,708	-	3,760,708	18,144,754	-	18,144,754
Unrealized Gains (Losses) on Investments	(30,905,354)	-	(30,905,354)	55,298,517	-	55,298,517
Less: Investment and Related Fees	(5,652,213)	-	(5,652,213)	(5,307,712)	-	(5,307,712)
Other	(15,520)	-	(15,520)	(61)	-	(61)
Total Revenues	(17,254,619)	-	(17,254,619)	74,099,551	-	74,099,551
EXPENSES						
Program:						
Grants Appropriated, Net of Cancellations and Refunds	17,002,467	-	17,002,467	18,435,908	-	18,435,908
Program-Related Administrative	3,037,720	-	3,037,720	3,181,737	-	3,181,737
Administrative:						
Nonprogram-Related Administrative Expenses	2,819,288	-	2,819,288	2,724,279	-	2,724,279
Federal Excise Tax and UBIT Provision	(124,962)	-	(124,962)	1,049,570	-	1,049,570
Total Expenses	22,734,513	-	22,734,513	25,391,494	-	25,391,494
CHANGE IN NET ASSETS	(39,989,132)	-	(39,989,132)	48,708,057	-	48,708,057
Net Assets - Beginning of Year	451,489,831	10,324,294	461,814,125	402,781,774	10,324,294	413,106,068
NET ASSETS - END OF YEAR	$ 411,500,699	$ 10,324,294	$ 421,824,993	$ 451,489,831	$ 10,324,294	$ 461,814,125

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	2018			
	Program Activities	Management and General	Total	Summarized 2017
Grants	$ 17,002,467	$ -	$ 17,002,467	$ 18,435,908
Salaries and Benefits	1,930,027	1,750,875	3,680,902	3,413,841
Professional Services	709,410	373,595	1,083,005	1,163,236
Excise and Income Taxes	-	(124,962)	(124,962)	1,049,570
Depreciation	-	109,697	109,697	179,656
Occupancy and Other Office Expenses	273,625	407,141	680,766	676,507
Travel and Meeting Expenses	124,658	164,232	288,890	299,630
Miscellaneous Expense	-	13,748	13,748	173,146
Total Expenses	$ 20,040,187	$ 2,694,326	$ 22,734,513	$ 25,391,494

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 3,175,000	$ -
Cash Received from Dividends and Interest	11,725,409	5,920,020
Cash Received from Program Related Investments	298,435	447,120
Cash Paid for Grants	(18,780,537)	(16,315,456)
Cash Paid for Program Related Investments	(1,400,000)	(2,500,000)
Cash Paid to Vendors and Employees	(5,747,322)	(5,787,491)
Cash Paid for Investment Fees and Related Expenses	(2,101,520)	(2,191,508)
Cash Paid for Excise and Income Taxes	(220,787)	(144,079)
Net Cash Used by Operating Activities	(13,051,322)	(20,571,394)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	141,678,599	145,446,342
Purchases of Investments	(128,722,601)	(125,281,026)
Purchases of Leasehold Improvements, Furniture, and Equipment	(48,482)	(39,415)
Net Cash Provided by Investing Activities	12,907,516	20,125,901
NET CHANGE IN CASH	(143,806)	(445,493)
Cash - Beginning of Year	460,040	905,533
CASH - END OF YEAR	$ 316,234	$ 460,040
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Supplemental Disclosure of Noncash Investing Transactions:		
Change in Receivable for Securities with Settlements Pending	$ (280,461)	$ 2,601,465
Change in Payable for Securities with Settlements Pending	$ (15,668)	$ 13,508

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Northwest Area Foundation (the Foundation) is a private foundation incorporated under the laws of the state of Minnesota. Founded in 1934 and based in St. Paul, Minnesota, the Foundation supports organizations anchored in the culture of the people they serve and dedicated to expanding economic opportunity in under-resourced communities. Its grantees work to build on the entrepreneurial spirit, strong community ties, and untapped potential within its priority communities: Native Americans, communities of color, immigrants, refugees, and people in rural areas. The work of grantees advances good jobs and financial capability across the Foundation's region, which includes the eight states of Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, and Oregon, and more than 75 Native nations. For more information, please visit www.nwaf.org.

The Foundation was formed beginning in 1934 through the donation of three gifts totaling $10,324,294. The amount is preserved in net assets with donor restrictions and will be held in perpetuity. As a result, the Foundation as a whole functions as an endowment.

Basis of Presentation

In the financial statements, net assets that have similar characteristics have been combined into categories as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations to be held in perpetuity by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on these investments.

Uniform Prudent Management of Institutional Funds Act

Background

In August 2008, the state of Minnesota enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) replacing the previous Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, spending below the historic-dollar-value of an endowment was not permitted. Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to continue a prudent payout amount of a donor-restricted endowment even if the market value of the fund is below historic-dollar-value, with the expectation that, over time, the donor-restricted amount will remain intact.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act (Continued)

Interpretation of Relevant Law

In approving endowment, spending, and related policies, as part of the prudent and diligent discharge of its duties, the board of directors of the Northwest Area Foundation has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees, the duly appointed officers of the Northwest Area Foundation, and legal counsel, and in doing so has interpreted the law to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, the Northwest Area Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made to the fund in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters and Strategies

The Foundation's Investment Policy Statement indicates that the Foundation will invest its portfolio in a diverse set of asset classes, aiming to achieve a rate of return sufficient to provide for charitable distribution and operating expenses. The portfolio also aims to maintain its purchasing power over time as measured by the Consumer Price Index (CPI). In order to do so and to meet its obligation to exist in perpetuity, the total return of the fund is targeted to be at least 6% plus CPI over a rolling 10-year period.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy that states each fiscal year operating budget shall be no more than 5% of the historic, rolling average value of total assets as calculated on a quarterly basis over the most recent five-year period of time. The purpose of this policy is to ensure that the Foundation is spending its assets in a fiscally responsible manner and one that will allow it to fulfill the mission of the organization. The spending policy does allow the Foundation to exceed the 5% policy amount if needed in order to meet qualified minimum distribution requirements. The spending policy also addresses other goals of the Foundation including assuring that the Foundation will exist in perpetuity as required by the Last Will and Testament of Louis W. Hill and complying with the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash

Cash represents funds held for use in the operations of the Foundation. Temporary cash investments held by investment managers are classified as a component of investments. At times, cash at financial institutions may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation's investment portfolio is structured to provide a sufficient level of investment return while maintaining prudent levels of risk, liquidity, and diversification. Investments are stated at fair value. The fair value of publicly traded securities is based upon quoted market prices and net asset values. For other securities, for which no such quotations or valuations are readily available, fair value is estimated using values provided by external investment managers. These funds are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgments, which include, among other factors, restrictions affecting marketability and operating results.

The Foundation may also be invested in fixed income securities that are not actively traded and as such quoted market prices may not be available. These investments are priced using the estimates provided by investment managers. The Foundation believes that these valuations are a reasonable estimate of fair value as of December 31, 2018 and 2017, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Receivables and payables with settlements pending arise out of the ordinary course of purchases and sales within the Foundation's investment portfolio. These items are short-term in nature and are settled in the next year.

The Foundation invests in a variety of investment vehicles. 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 statements of financial position.

Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Derivative Financial Instruments

The Foundation uses derivatives principally to manage portfolio exposures and risk in the Foundation's investment holdings. As part of the Foundation's liquidity and risk management strategy the Foundation may use derivatives to protect the fair value of investments in the portfolio or the anticipated cash flows associated with the forecasted purchases and sales of certain investments. Derivatives may also be used to maintain targeted asset allocation.

Derivative instruments are measured at fair value and reported as assets or liabilities in the statements of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities and change in net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

As of December 31, 2018, the Foundation had 211 contracts outstanding and contract exposure amounts of $19,319,507 of long positions in equity index futures, 4 contracts outstanding and contract exposure amounts of $294,040 of long positions in currency futures, 95 contracts outstanding and contract exposure amounts of $14,266,735 of short positions in fixed income futures, and 25 contracts outstanding and contract exposure amounts of $2,345,313 of short positions in commodity futures.

As of December 31, 2017, the Foundation had 86 contracts outstanding and contract exposure amounts of $9,442,325 of long positions in equity index futures, and 87 contracts outstanding and contract exposure amounts of $9,612,413 of long positions in commodity futures. Net realized and unrealized losses of approximately $746,220 and gains of $1,571,404 were recognized for the years ending December 31, 2018 and 2017, respectively.

Program-Related Investments

Program-related investments consist of debt and equity positions in organizations that conduct activities that fulfill the charitable purposes of the Foundation. Program-related investments are initially recorded on the statements of financial position at cost when approved. Uncollected interest earned on program-related investments with a debt position is recorded as earned and included in the investment account. These investments are recoverable over periods ranging up to 15 years. Should the borrower fail to make progress toward their program goals, the Foundation can require repayment. In the event that a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve.

Accrued Investment Income

Accrued investment income includes interest and declared dividends not yet received. Interest income is recorded in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

Leasehold Improvements, Furniture, and Equipment

Leasehold improvements, furniture, and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets ranging from three to five years. Assets are capitalized over $5,000. Amortization of leasehold improvements is recorded on a straight-line basis over the shorter of the lease term or the estimated useful life of the improvement.

Leasehold Incentives

During 2012, the Foundation received $336,800 from its landlord for leasehold improvements completed in December of 2012. This amount has been deferred and is being amortized over the remaining lease term of 10 years and 9 months beginning in January 2013.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Grant appropriations are charged to net assets without donor restrictions at the time the grants are approved by the CEO/President, program committee, and board of directors of the Foundation subject to the guidelines set forth by the board of directors. Conditional grants are recognized as grant appropriations in the statements of activities and change in net assets when the conditions are met. Cancellations of grants occur when the grantees do not meet the grant terms. Grants are refunded when grant program needs are less than the appropriated amount.

Federal Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not subject to federal income taxes except for income from its unrelated business activities.

Under Section 4940 of the IRC, the Foundation is subject to a 2% excise tax on its taxable investment income received, which principally includes income from investments plus net realized capital gains. Net capital losses, however, are not deductible. Under certain circumstances, the Foundation may qualify for a 1% excise tax rate. An annual determination is made by the Foundation as to whether a 1% or 2% rate is applicable in each year. The Foundation applied a 1.0% excise tax rate as an estimate of the current tax provision for both years ended December 31, 2018 and 2017.

Deferred taxes result from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Deferred excise tax expense (benefit) arises from the change in unrealized appreciation (depreciation) in fair value of investments and accrued investment income. The deferred excise tax provision (benefit) is calculated utilizing a 1.5% excise tax rate.

The Foundation files as a tax-exempt organization. Should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service (IRS).

Fair Value Measurement

Fair value measurement establishes a framework for measuring fair value, a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Foundation accounts for its investments at fair value. The Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Liquidity

The Foundation has a liquidity policy intended to ensure that the Foundation's investment portfolio remains sufficiently liquid regardless of market conditions. The Foundation's management and investment committee regularly review the policy to incorporate the Foundation's changing liquidity needs, level of private investments, and the overall liquidity profile of the investment portfolio. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in short-term investments.

The following reflects the Foundation's financial assets available to meet general expenditures within one year of the statements of financial position date:

	2018	2017
Cash	$ 316,234	$ 460,040
Grants Receivable	575,000	-
Program-Related Investments	148,109	147,537
Investments Appropriated for Current Use	21,900,000	21,800,000
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	$ 22,939,343	$ 22,407,577

The Foundation's maximum operating budget is limited by a spending policy of 5% of the historic, rolling average value of total assets over the most recent five years. As a result of this policy, $21.9 million of appropriations will be available for general expenditures within the next 12 months.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 7, 2019, the date the financial statements were approved to be issued.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, direct cash flow method, 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 presentation of the statement of functional expenses) which resulted in no change to the total previously reported net assets.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	2018	2017
Investments, at Fair Value (Cost Value: December 31, 2018 and 2017 - $359,179,567 and $368,110,066, Respectively):		
Temporary Cash Investments	$ 1,669,368	$ 1,371,789
Public Fixed Income	41,562,785	60,656,729
Private Credit	34,063,659	25,643,193
Public Equities	197,168,661	239,018,219
Private Equities	49,229,659	48,141,065
Real Assets	50,936,647	37,413,696
Diversifying Strategies	44,911,156	50,566,912
Total Investments	$ 419,541,935	$ 462,811,603

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

NOTE 3 FAIR VALUE MEASUREMENTS

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

	Level 1	Level 2	Level 3	Total
Public Fixed Income	$ 520,142	$ -	$ -	$ 520,142
Public Equities	32,608,461	-	-	32,608,461
Diversifying Strategies	11,561,783	-	-	11,561,783
Subtotal	$ 44,690,386	$ -	$ -	44,690,386
Temporary Cash Investments				1,669,368
Investments Measured at Net Asset Value Per Share or its Equivalent				373,182,181
Total Investments				$ 419,541,935

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

	Level 1	Level 2	Level 3	Total
Public Fixed Income	$ 522,556	$ -	$ -	$ 522,556
Public Equities	44,144,409	-	-	44,144,409
Real Assets	9,612,413	-	-	9,612,413
Diversifying Strategies	13,191,004	-	-	13,191,004
Subtotal	$ 67,470,382	$ -	$ -	67,470,382
Temporary Cash Investments				1,371,789
Investments Measured at Net Asset Value Per Share or its Equivalent				393,969,432
Total Investments				$ 462,811,603

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31:

	2018 Net Asset Value	2017 Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Fixed Income	$ 17,460,436	$ 20,577,163	$ -	Daily	3 Days
Public Fixed Income	15,948,670	28,057,909	-	Monthly	8 Days
Public Fixed Income	7,633,537	11,499,101	-	Annually	60 Days
Private Credit	34,063,659	25,643,193	18,850,723	N/A	N/A
Public Equities	62,722,149	77,311,714	-	Quarterly	60 Days
Public Equities	73,537,029	83,952,635	-	Monthly	5 - 15 days
Public Equities	28,301,022	33,609,461	-	Daily	3 Days
Private Equities	49,229,659	48,141,065	25,970,295	N/A	N/A
Real Assets	40,789,538	27,801,283	21,754,777	N/A	N/A
Real Assets	10,147,109	-	-	Daily	15 Days
Diversifying Strategies	17,456,684	19,913,224	-	Quarterly	60 - 90 Days
Diversifying Strategies	12,781,439	12,738,146	-	Monthly	30 Days
Diversifying Strategies	3,111,250	4,724,538	4,874,423	N/A	N/A
Total	$ 373,182,181	$ 393,969,432	$ 71,450,218		

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation's investment portfolio includes individual securities, mutual funds, commingled vehicles, collective trusts, limited partnerships, and non-U.S. corporations.

Public fixed income seeks to generate regular, reasonably predictable income. The most common type of fixed income instrument is the bond. Bonds are issued by governments and corporations and offer the investor a defined schedule of obligatory interest payments. Investing in fixed income securities provides diversification, interest income, lower risk, and stability to the overall portfolio.

Private credit strategies invest in a variety of debt instruments. Distributions from funds are received when the underlying investments in the funds generate distributable cash flows or when the investments are liquidated. Private credit investments provide diversification, interest income, and growth potential to the overall portfolio.

Public equities represent an ownership interest in a company. Investing in equity securities provides diversification, dividend income, and growth potential.

Private equities include a variety of strategies including venture capital, buyouts, secondary funds, and direct investments. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid. The unobservable inputs used to determine the fair value have been estimated based on the capital account balances reported by the fund managers subject to management review and judgment. Investing in private equity offers diversification, growth potential and accessibility to a broader range of companies.

Real assets include physical or identifiable assets that have intrinsic utility. Investments in this category may include minerals, metals, land, and other natural resources as well as infrastructure, aircraft, and real estate. Real asset strategies provide diversification, inflation hedging, and risk reduction benefits to the overall portfolio.

Diversifying strategies include a variety of investments (derivatives, equities, fixed income, and unconventional assets). The unobservable inputs used to determine the fair value have been estimated based on the capital account balances reported by the fund managers subject to management review and judgment. Diversifying strategies provide diversification and risk reduction benefits to the overall portfolio.

NOTE 4 PROGRAM-RELATED INVESTMENTS

Program-related investments consist of the following at December 31:

Description	Type	Maturity	2018	2017
Midwest Minnesota Community Development Corporation	Debt	September 2019	$ 120,000	$ 240,000
CDC Bancshares	Debt	April 2021	400,000	400,000
Grow Iowa Foundation	Debt	April 2021	100,000	100,000
RAIN Source Capital Corporation	Debt	April 2022	500,000	500,000
Shared Capital Cooperative	Debt	April 2021	500,000	500,000
Shared Capital Cooperative	Equity	N/A	500,000	500,000
Neighborhood Development Center	Debt	August 2022	103,857	132,292
The Lakota Funds Incorporated	Debt	November 2022	-	150,000
Craft3	Debt	September 2023	1,000,000	1,000,000
Initiative Foundation	Debt	January 2024	1,000,000	1,000,000
Propel Nonprofits	Debt	January 2024	1,000,000	1,000,000
Dakota Resources	Debt	January 2025	1,000,000	-
Northwest Native Development Fund	Debt	December 2025	150,000	-
Micro Enterprise Services of Oregon	Debt	February 2025	250,000	-
First Nations Oweesta Corporation	Debt	November 2027	500,000	500,000
Subtotal			7,123,857	6,022,292
Less: Discount on Program Related Investments			(437,541)	-
Interest Receivable (at Varying Rates up to 3.25% and Maturities through 2027)			49,746	31,692
Total			$ 6,736,062	$ 6,053,984

During the year ended December 31, 2018, the Foundation distributed three new program-related investments totaling $1,400,000, and during the year ended, 2017, the Foundation distributed three new program-related investments totaling $2,500,000.

No program-related investments were past due as of December 31, 2018 and 2017, and no allowance for credit losses has been created for any potential uncollectible program-related investments as of December 31, 2018 and 2017. The Foundation discounted loans that were made at below-market-rate interest rates. The discount as of December 31, 2018 and 2017 was $437,541 and $-0-, respectively.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following at December 31:

	2018	2017
Leasehold Improvements	$ 2,236,088	$ 2,237,967
Furniture and Equipment	703,289	737,490
Computer Hardware and Software	537,844	652,890
Total	3,477,221	3,628,347
Less: Accumulated Depreciation	(3,021,852)	(3,064,883)
Total Fixed Assets	$ 455,369	$ 563,464

NOTE 6 GRANTS

Grant activity for the years ended December 31, 2018 and 2017 is summarized as follows:

	2018	2017
Unpaid Commitments - Beginning of Year	$ 9,312,702	$ 7,192,250
Grant Appropriations, Net of Cancellations and Refunds (*)	17,002,467	18,435,908
Less: Imputed Interest on PRIs	(508,200)	-
Payments (*)	(18,780,537)	(16,315,456)
Unpaid Commitments - End of Year	$ 7,026,432	$ 9,312,702

(*) Does not include program-related investments

Conditional grants made where conditions have not yet been met totaled $215,100 and $415,000 at December 31, 2018 and 2017, respectively.

NOTE 7 FEDERAL EXCISE TAX PROVISION AND DISTRIBUTION REQUIREMENTS

Federal excise taxes for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
Provision:		
Current Expense	$ 310,825	$ 267,165
Deferred	(435,787)	782,405
Total	$ (124,962)	$ 1,049,570
Liability:		
Current	$ 218,179	$ 51,539
Deferred	908,134	1,420,523
Total	$ 1,126,313	$ 1,472,062

NOTE 7 FEDERAL EXCISE TAX PROVISION AND DISTRIBUTION REQUIREMENTS (CONTINUED)

For the years ended December 31, 2018 and 2017, the provision also includes UBIT expense of $(1,165) and $13,033, respectively.

The Foundation is subject to the distribution requirements of the IRC. Accordingly, it must make qualified distributions within one year after the end of each fiscal year of at least 5% of the average market value of its assets as defined to avoid an additional excise tax. The Foundation has complied with these distribution requirements for the years ended December 31, 2018 and 2017.

NOTE 8 CAPITAL STOCK

Included in net assets without donor restrictions are 10 shares of capital stock. Under the terms established in the Foundation's by-laws, these 10 shares of capital stock have a zero par value. The trustees hold all 10 shares as a unit, and individuals do not hold separate identifiable shares. No dividends are paid on these shares, nor do any net earnings of the Foundation benefit any stockholder.

NOTE 9 RELATED PARTY TRANSACTIONS

The Foundation compensates its board of directors for their governance responsibilities, for the additional duties they perform as officers of the Foundation, and for the grant portfolio oversight responsibilities they assume as directors of the Foundation. For the years ended December 31, 2018 and 2017, this compensation totaled $226,875 and $211,581, respectively.

During the year, grants may have been approved and disbursed to organizations in which board members are involved through board or other advisory relationships. It is the Foundation's policy to require all board members to disclose any conflicts of interest. These board members are prohibited from voting on grants to those organizations for which a conflict may exist.

NOTE 10 FUNCTIONAL ALLOCATION OF EXPENSES

Program expenses include grants, the cost of direct program services, and an allocation of costs required to run the programs. Management and general expenses include all expenses incidental to operating the Foundation. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include occupancy, building maintenance, insurance, salaries and benefits, and the information technology department. Occupancy, building maintenance and insurance are allocated based on square footage, while salaries and benefits are allocated based on estimates of time and effort. The information technology department is allocated based on estimates of time and costs of specific technology utilized.

NOTE 11 EMPLOYEE PENSION PLAN

The Foundation has an employee pension plan operated as a self-funded money purchase plan. This is a defined noncontributory plan available to all employees who work a minimum of 1,000 hours per year, following one full year of service. The plan provides for an annual contribution of 11% of each eligible participant's earned compensation up to the IRS permissible maximum of $275,000 for 2018 and $270,000 for 2017. Contributions to the plan for the years ended December 31, 2018 and 2017 were $274,143 and $223,411, respectively.

NOTE 12 LEASE COMMITMENTS

In March 2001, the Foundation entered into a 10-year noncancelable operating lease for office space, which commenced on May 6, 2002. Under this lease agreement, the Foundation pays operating costs for the leased property. This lease agreement has renewal options for up to 10 additional years. In June 2011, the Foundation exercised the renewal option on its current office space lease. This lease amendment commenced on October 1, 2011, and is for the 12-year period from October 1, 2011 through September 30, 2023. Under this amendment, the Foundation will continue to pay operating costs (prorated share of utilities, property taxes, maintenance of common areas, etc.) for the leased space in addition to rent. Total rent expense was $229,840 and $245,180 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rental payments at December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	$ 261,170
2020	261,170
2021	261,170
2022	261,170
2023	195,878
Total	$ 1,240,558