Financial statements of:

THE TIWAHE FOUNDATION

Year ended
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Tiwahe Foundation
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of The Tiwahe Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 The Tiwahe Foundation as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Tiwahe Foundation, as of and for the year ended December 31, 2012, were audited by other auditors whose report dated April 16, 2013, expressed an unmodified opinion on those statements.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

June 10, 2014

THE TIWAHE FOUNDATION

DECEMBER 31, 2013

Assets:	
Current assets:	
Cash	$ 621,983
Certificates of deposit	156,923
Pledges receivable, net	85,229
Total current assets	864,135
Other assets:	
Investments	1,514,231
Pledges receivable, net of current portion	167,250
	1,681,481
Total assets	$ 2,545,616
Liabilities and net assets:	
Current liabilities:	
Accounts payable	$ 2,845
Accrued expenses	1,359
Total current liabilities	4,204
Net assets:	
Unrestricted	644,124
Temporarily restricted	124,103
Permanently restricted	1,773,185
Total net assets	2,541,412
Total liabilities and net assets	$ 2,545,616

See notes to financial statements.

THE TIWAHE FOUNDATION

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Foundations	$ 167,924	$ 180,375	$ 1,047,292	$ 1,395,591
In-kind	5,938			5,938
Individual donations	970		154,937	155,907
Investment income	166,522			166,522
Special event, net	1,391			1,391
Special projects	3,000			3,000
Net assets released from restrictions	270,647	(270,647)		-
Total support and revenue	616,392	(90,272)	1,202,229	1,728,349
Expenses:				
Program services	150,250			150,250
Management and general	62,472			62,472
Fundraising	57,578			57,578
Total expenses	270,300			270,300
Change in net assets	346,092	(90,272)	1,202,229	1,458,049
Net assets, beginning	298,032	214,375	570,956	1,083,363
Net assets, ending	$ 644,124	$ 124,103	$ 1,773,185	$ 2,541,412

See notes to financial statements.

	Program services	Support services: Management and general	Support services: Fundraising	Support services: Total support services	Total expenses
Expenses:					
Salaries	$ 45,722	$ 31,156	$ 35,054	$ 66,210	$ 111,932
Payroll taxes	4,217	2,268	2,139	4,407	8,624
Employee benefits	1,874	1,579	1,981	3,560	5,434
Grants to individuals	68,207				68,207
Professional fees	7,956	14,895	8,023	22,918	30,874
Supplies	5	1,008		1,008	1,013
Memberships and dues	1,350				1,350
Occupancy	4,172	2,244	2,116	4,360	8,532
Equipment rental and office expenses	1,117	601	566	1,167	2,284
Telephone, local	901	485	457	942	1,843
Postage	458	246	232	478	936
Printing	1,599	860	811	1,671	3,270
Database and website	2,435				2,435
Travel and meetings	7,042	2,333		2,333	9,375
Special events	217	117	110	227	444
Insurance	1,354	728	687	1,415	2,769
Miscellaneous	1,624	3,952	5,402	9,354	10,978
Total expenses	$ 150,250	$ 62,472	$ 57,578	$ 120,050	$ 270,300

See notes to financial statements.

THE TIWAHE FOUNDATION

YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:	
Change in net assets	$ 1,458,049
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Variance power transferred	(835,790)
Net unrealized gain on investments	(162,801)
Permanently restricted contributions	(1,202,229)
Decrease in pledges receivable	120,276
Increase in liabilities:	
Accounts payable	2,520
Accrued expense	2
Net cash used in operating activities	(619,973)
Cash flows used in investing activities, purchase of investments	(323,825)
Cash flows provided by financing activities, permanently restricted contributions	1,202,229
Net increase in cash	258,431
Cash, beginning	363,552
Cash, ending	$ 621,983

See notes to financial statements.

1. Summary of significant accounting policies:

Nature of organization:

The mission of the Tiwahe Foundation (the Foundation) is to be a resource for giving and strengthening American Indian communities by building capacity through leadership, culture, values and vision.

Description of program:

American Indian Family Empowerment Program (AIFEP) - The Foundation's one program operates as a grant making program with the intent to reflect, preserve, and perpetuate a respect for American Indian cultures and values, as a means to strengthen Native youth and families making a positive difference in their own lives, and in doing so, a difference in the well being of the Native community. The Foundation will carry forth the vision of the AIFEP and expand its work to further philanthropy in the Native community in the future.

Basis of presentation:

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

Net assets classifications:

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets are not subject to donor-imposed restrictions and represent funds that are fully available, at the discretion of management and the Board of Directors, for the Foundation to utilize for any of its programs or supporting services.

- Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods.

- Permanently restricted net assets are subject to the donor-imposed restriction that they may be maintained permanently by the Foundation.

Certificates of deposit:

Certificates of deposit consist of instruments having an original maturity of three months or greater and are stated at cost plus accrued interest.

Concentration of credit risk:

The Foundation maintains its cash in one financial institution located in Minnesota. At times, bank balances may be in excess of the FDIC insurance limit. The Foundation has not experienced any loss associated with this practice.

Fair value measurements:

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation uses valuation techniques consistent with the market, income and cost approaches to measure fair value.

1. Summary of significant accounting policies (continued):

Fair value measurements (continued):

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Foundation has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Receivables:

Pledge and grants receivable are reported at fair value at the date the promise is received. Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Those that are expected to be collected in future years are recorded at the present value of the amount to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges and grants are not included as support until such time as the conditions are substantially met.

Allowance for doubtful accounts:

The carrying amount of operating pledges is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management estimates this allowance based on historical collection trends. Management also individually reviews all delinquent balances for significant pledges which are potentially uncollectible. After all attempts to collect a pledge have failed, the receivable is written-off against the allowance.

Pledges receivable are net of the following allowance for doubtful accounts:

Pledges	$ 5,153

Investments:

At December 31, 2013, investments consisted mainly of an endowment fund held at the Minneapolis Foundation. In general, investments are exposed to various risks, such as a 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 investment balances and the amounts reported in the balance sheet. Investment income or loss (including interest and dividends and realized gains and losses) and unrealized gains and losses are recorded in the statement of activities, and classified by net asset class based on the existence of any restrictions.

Revenue recognition:

Revenues and public support are reported as an increase in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as an increase or a decrease in unrestricted net assets unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions, the restriction of which are met in the same year as the contributions is made, are reported as unrestricted contributions.

1. Summary of significant accounting policies (continued):

Functional expenses:

The majority of expenses are directly identified with the program or supporting services to which they relate. Expenses not directly identifiable are allocated to program and supporting services on the basis of salaries and other bases determined by management.

Income tax:

The Foundation has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is generally not subject to income taxes, except for taxes pertaining to unrelated business income. The Foundation is exempt from state taxes under Minnesota Statute 290.05. Therefore, there is no provision for income taxes. The Organization is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Foundation has not identified any uncertainties in federal or state income taxes for any open tax years as of December 31, 2013. The Foundation is no longer subject to federal and state tax examinations by tax authorities for years before 2010.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management has evaluated for subsequent events through June 10, 2014, the date the financial statements were available for issuance.

2. Pledges receivable:

Unconditional promises are recorded as contributions receivable and revenue of the appropriate net asset category. Long-term contributions receivable are expected to be collected through 2021. The discount rate used on pledges was 4%.

Promises to give at December 31, 2013, are as follows:

Pledges	$	272,532
Less discounts to net present value		14,900
Pledges receivable		257,632
Less allowance for doubtful accounts		5,153
Pledges receivable, net	$	252,479
Amounts due in:		
Less than one year	$	85,229
One to five years		166,780
Over five years		470
	$	252,479

3. Investment income:

Investment income is comprised of the following for the year ended December 31, 2013:

Interest and dividends	$	4,073
Realized loss		(352)
Unrealized gains from Minneapolis Foundation holdings		162,801
	$	166,522

All increases in investment income gains or losses are recorded as unrestricted.

4. Investments:

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 measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Foundation measured at fair value on a recurring basis as of December 31, 2013.

	Level 1	Level 2	Level 3	Total
Minneapolis Foundation holdings			$1,514,231	$1,514,231

Summary of changes in Level 3 assets:

Balance, beginning	$ 191,815
Realized and unrealized gains, interest and dividends	162,801
Contributions to fund	1,168,416
Distributions from fund	(8,801)
Balance, ending	$ 1,514,231

The investments are held at the Minneapolis Foundation. The assets are held and invested in the social impact growth strategy fund. The Foundation records the value of the investments based on information received from the Minneapolis Foundation.

5. In-kind support:

The Foundation received donated accounting services and recognized in-kind revenue totaling $5,938 for the year ended December 31, 2013.

6. Permanently restricted net assets:

Beneficial interest in non-agency endowment fund:

During 2006 the Grotto Foundation established a non-agency endowment fund with the Minneapolis Foundation naming AIFEP as the sole beneficiary. Under terms of the agreement, AIFEP was to receive the net income from the endowment to be used in carrying out its general charitable purposes (unrestricted). However, also in accordance with the agreement, the Minneapolis Foundation was permitted to change the beneficiary of the endowment to continue the purposes of the endowment as determined in its sole discretion. During 2013, the Foundation obtained variance power for AIFEP and the funds were transferred into the Tiwahe Foundation Endowment Fund #2. Therefore, the Foundation recorded the principal received as an asset during 2013.

7. Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2013, are available for the following purposes or periods:

AIFEP	$ 2,050
Program	14,553
Operating	107,500
Total	$ 124,103

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or lapse of time restrictions.

Time restriction	$ 100,000
Purpose restriction	170,647
	$ 270,647

8. Leases:

The Foundation has a lease agreement for office space, with minimum monthly rental payments of $647 plus common area maintenance (CAM) charges through September 30, 2014, as amended. The total future minimum rental commitments as of December 31, 2013, are as follows:

Year ending December 31	Amount
2014	$ 5,858

Total rent expense in connection with office rental was $8,397 for the year ended December 31, 2013.

9. Endowment and permanently restricted net assets:

The Foundation's endowment consists of contributions established for the AIFEP operations and leadership initiatives. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Minnesota enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective August 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Foundation's Board of Directors has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on the Foundation's interpretation of UPMIFA, the Foundation has reviewed all of its endowment funds.

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions. (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment return objectives, risk parameters and strategies:

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to support payments for the program supported by the endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 2-3% of the annualized market value of the endowment principal, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return equal to or greater than the CPI plus the 2-3% spending policy rate over a rolling ten year period. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

9. Endowment and permanently restricted net assets (continued):

Spending policy:

The Foundation has a policy of appropriating for distribution each year 2-3% of the annualized market value of the endowment principal. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, all of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an average rate greater than the CPI plus the 2-3% spending policy, annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type for December 31, 2013, are as follows:

	Unrestricted	Permanently restricted	Total
Endowment net assets, January 1, 2013		$ 570,956	$ 570,956
Permanently restricted contributions		1,202,229	1,202,229
Investment income	$ 162,449		162,449
Endowment net assets, December 31, 2013	$ 162,449	$ 1,773,185	$ 1,935,634