Financial statements of:

THE TIWAHE FOUNDATION

Years ended
December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Tiwahe Foundation
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Tiwahe Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

June 8, 2016

THE TIWAHE FOUNDATION

	2015	2014
Assets:		
Current assets:		
Cash	**$ 613,993**	$ 356,068
Certificates of deposit	**856,508**	255,906
Pledges and grants receivable, net	**156,422**	247,123
Prepaid expense	**700**	
Total current assets	**1,627,623**	859,097
Other assets:		
Investments	**2,439,101**	2,065,571
Pledges and grants receivable, net of current portion	**393,354**	191,980
	2,832,455	2,257,551
Total assets	**$ 4,460,078**	$ 3,116,648
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 5,698**	$ 3,391
Accrued expenses	**2,634**	1,592
Total current liabilities	**8,332**	4,983
Unearned revenue	**608,233**	
Total liabilities	**616,565**	4,983
Net assets:		
Unrestricted	**792,102**	822,736
Temporarily restricted	**507,176**	359,631
Permanently restricted	**2,544,235**	1,929,298
Total net assets	**3,843,513**	3,111,665
Total liabilities and net assets	**$ 4,460,078**	$ 3,116,648

See notes to financial statements.

THE TIWAHE FOUNDATION

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Foundations		$ 503,000	$ 101,767	$ 604,767
In-kind	$ 24,785			24,785
Individual donations	990		513,170	514,160
Investment (loss) income	(20,430)			(20,430)
Special event less costs of direct benefits to donors of $20,796 and $16,502 for 2015 and 2014, respectively	18,107			18,107
Special projects	20			20
Net assets released from restrictions	355,455	(355,455)		-
Total support and revenue	378,927	147,545	614,937	1,141,409
Expenses:				
Program services	232,146			232,146
Management and general	82,929			82,929
Fundraising	94,486			94,486
Total expenses	409,561			409,561
Change in net assets	(30,634)	147,545	614,937	731,848
Net assets, beginning	822,736	359,631	1,929,298	3,111,665
Net assets, ending	$ 792,102	$ 507,176	$ 2,544,235	$ 3,843,513

2014			
Unrestricted	Temporarily restricted	Permanently restricted	Total
$ 32,500	$ 525,000	$ 10,000	$ 567,500
7,750			7,750
582		146,113	146,695
135,871			135,871
12,254			12,254
135			135
289,472	(289,472)		-
478,564	235,528	156,113	870,205
182,715			182,715
52,226			52,226
65,011			65,011
299,952			299,952
178,612	235,528	156,113	570,253
644,124	124,103	1,773,185	2,541,412
$ 822,736	$ 359,631	$ 1,929,298	$ 3,111,665

THE TIWAHE FOUNDATION

	2015				
		Support services			
	Program services	Management and general	Fundraising	Total support services	Total expenses
Expenses:					
Salaries	$ 58,059	$ 29,607	$ 43,089	$ 72,696	$ 130,755
Payroll taxes	5,350	1,886	2,623	4,509	9,859
Employee benefits	3,062	1,944	2,883	4,827	7,889
Grants to individuals	80,876				80,876
Professional fees	51,029	37,714	34,078	71,792	122,821
Supplies	62	1,138		1,138	1,200
Memberships and dues	1,542	55	77	132	1,674
Occupancy	5,047	1,779	2,475	4,254	9,301
Equipment rental and office expenses	24	8	12	20	44
Telephone, local	1,092	385	536	921	2,013
Postage	764	259	361	620	1,384
Printing	2,767	374	520	894	3,661
Database and website	1,741	17	1,322	1,339	3,080
Travel and meetings	10,207	3,824	235	4,059	14,266
Special events					
Insurance	1,700	599	833	1,432	3,132
Miscellaneous	8,824	3,340	5,442	8,782	17,606
Total expenses	232,146	82,929	94,486	177,415	409,561
Special event, costs of direct benefit to donors			20,796	20,796	20,796
Total functional expenses	$ 232,146	$ 82,929	$ 115,282	$ 198,211	$ 430,357

See notes to financial statements.

2014				
	Support services			
Program services	Management and general	Fundraising	Total support services	Total expenses
$ 53,165	$ 24,669	$ 44,277	$ 68,946	$ 122,111
5,242	1,576	2,562	4,138	9,380
2,817	1,648	3,064	4,712	7,529
79,591				79,591
20,537	16,476	6,965	23,441	43,978
304	1,318		1,318	1,622
885				885
4,155	1,249	2,031	3,280	7,435
110	33	54	87	197
1,168	351	571	922	2,090
675	203	330	533	1,208
2,061	620	1,007	1,627	3,688
4,674	300		300	4,974
912	1,589	250	1,839	2,751
31	9	15	24	55
1,744	524	852	1,376	3,120
4,644	1,661	3,033	4,694	9,338
182,715	52,226	65,011	117,237	299,952
		16,502	16,502	16,502
$ 182,715	$ 52,226	$ 81,513	$ 133,739	$ 316,454

THE TIWAHE FOUNDATION

	2015	2014
Cash flows from operating activities:		
Change in net assets	**$ 731,848**	$ 570,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on investments	**21,344**	(134,413)
Non-cash service fees incurred	**13,837**	8,266
Permanently restricted contributions	**(614,937)**	(156,113)
(Increase) decrease in assets:		
Pledges receivable	**(110,673)**	(186,624)
Prepaid expenses	**(700)**	
Increase in liabilities:		
Accounts payable	**2,307**	546
Accrued expense	**1,042**	233
Net cash provided by operating activities	**44,068**	102,148
Cash flows from investing activities:		
Purchase of endowment investments	**(459,711)**	(454,766)
Distribution of endowment investments	**51,000**	29,573
Net purchase of certificates of deposit	**(600,602)**	(98,983)
Net cash used in investing activities	**(1,009,313)**	(524,176)
Cash flows from financing activities:		
Permanently restricted contributions	**614,937**	156,113
Unearned revenue	**608,233**	
Net cash provided by financing activities	**1,223,170**	156,113
Net increase (decrease) in cash	**257,925**	(265,915)
Cash, beginning	**356,068**	621,983
Cash, ending	**$ 613,993**	$ 356,068

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 programs:

American Indian Family Empowerment Program (AIFEP) – The AIFEP 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.

Minnesota Native Alumni Network Program - The Minnesota Native Alumni Network Program was built on our self-determined leadership AIFEP micro grants. This network is a collaborative effort with six organizations and provides a resource across urban, tribal and rural Native leaders to access broader networks through an on-line platform tool, provide skill building trainings, connections to leadership programs, micro grants and project grants for small alumni led projects. There are over 2,000 alumni leadership in the collaborative and our goal is to network leaders to build relationships, skills and develop grassroots projects that address social change and innovation.

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.

Concentrations:

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.

At December 31, 2015 and 2014, approximately 70% and 65% of pledges and grants receivable were from two donors.

1. Summary of significant accounting policies (continued):

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.

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.

1. Summary of significant accounting policies (continued):

Investments:

At December 31, 2015 and 2014, investments consisted mainly of an endowment fund held at the Minneapolis Foundation. 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 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.

Unearned revenue:

Unearned revenues arise when conditional contributions are received before the related conditions are satisfied. These unearned revenues will be recognized as contributions revenue as the applicable conditions are met.

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.

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, 2015 and 2014. The Foundation is no longer subject to federal and state tax examinations by tax authorities for years before 2012.

1. Summary of significant accounting policies (continued):

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.

Reclassifications:

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Subsequent events:

Management has evaluated for subsequent events through June 8, 2016, the date the financial statements were available for issuance.

2. Pledges and grants 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 2020. The discount rate used on pledges was 4%.

Promises to give at December 31, 2015 and 2014 are as follows:

	2015	2014
Pledges	**$ 497,626**	$ 225,054
Operating grants receivable	**90,500**	235,000
Less discounts to net present value	**30,127**	11,827
Pledges receivable	**557,999**	448,227
Less allowance for doubtful accounts	**8,223**	9,124
Pledges receivable, net	**$ 549,776**	$ 439,103
Amounts due in:		
Less than one year	**$ 156,422**	$ 247,123
One to five years	**393,354**	191,832
Over five years		148
	$ 549,776	$ 439,103

3. Investment income:

Investment income is comprised of the following for the year ended December 31, 2015 and 2014:

	2015	2014
Interest and dividends	$ 914	$ 1,458
Unrealized (losses) gains from Minneapolis Foundation holdings	(21,344)	134,413
	$ (20,430)	$ 135,871

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

4. Fair value:

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, 2015 and 2014.

	2015			
	Level 1	Level 2	Level 3	Total
Minneapolis Foundation holdings	$ 0	$ 0	$ 2,439,101	$ 2,439,101

	2014			
	Level 1	Level 2	Level 3	Total
Minneapolis Foundation holdings	$ 0	$ 0	$ 2,065,571	$ 2,065,571

Summary of changes in Level 3 assets:

	2015	2014
Balance, beginning of year	$ 2,065,571	$ 1,514,231
Unrealized (losses) gains	(21,344)	134,413
Support service fees	(13,837)	(8,266)
Contributions to fund	459,711	454,766
Distributions from fund	(51,000)	(29,573)
Balance, end of year	$ 2,439,101	$ 2,065,571

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 and legal services and recognized in-kind revenue and professional fees totaling $24,785 and $7,750 for the years ended December 31, 2015 and 2014, respectively.

6. Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2015 and 2014 are available for the following purposes or periods:

	2015	2014
AIFEP	**$ 43,704**	$ 31,380
Alumni Network Program	**136,420**	236,318
Time restricted, operations	**327,052**	91,933
	$ 507,176	$ 359,631

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

	2015	2014
Time restriction	**$ 206,631**	$ 78,852
Purpose restriction	**148,824**	210,620
	$ 355,455	$ 289,472

7. Leases:

The Foundation has a lease agreement for office space, with minimum monthly rental payments of $895 plus common area maintenance (CAM) charges through September 30, 2017, as amended. The total future minimum rental commitments as of December 31, 2015, are as follows:

Year ending December 31	Amount
2016	$ 10,926
2017	8,334
	$ 19,260

Total rent expense in connection with office rental was $9,283 and $7,436 for the years ended December 31, 2015 and 2014, respectively.

8. 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.

8. 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, 2015 and 2014, are as follows:

	Unrestricted	Permanently restricted	Total
Endowment net assets, January 1, 2014	$ 162,449	$ 1,773,185	$ 1,935,634
Permanently restricted contributions		156,113	156,113
Unrealized gains	134,413		134,413
Service support fees	(8,266)		(8,266)
Endowment net assets, December 31, 2014	288,596	1,929,298	2,217,894
Permanently restricted contributions		**614,937**	**614,937**
Unrealized losses	**(21,344)**		**(21,344)**
Service support fees	**(13,837)**		**(13,837)**
Endowment net assets, December 31, 2015	**$ 253,415**	**$ 2,544,235**	**$ 2,797,650**

9. Related party:

During 2015, two members of the Foundation's endowment committee entered into consulting agreements to provide fundraising services to the Foundation.

During the year ended December 31, 2015, the Foundation paid $28,994 for services rendered by these committee members.

Payables to these members were recorded in the amounts of $1,400 and $0 as of December 31, 2015 and 2014, respectively.