

**MINNESOTA COMMUNITY FOUNDATION AND
AFFILIATED ORGANIZATIONS**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
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YEARS ENDED DECEMBER 31, 2009 AND 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Minnesota Community Foundation
St. Paul, Minnesota

We have audited the accompanying consolidated statements of financial position of Minnesota Community Foundation and Affiliated Organizations (the Foundation) as of December 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
July 21, 2010



(1)

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**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 2,436,434	\$ 737,826
Accrued Investment Income	165,939	241,216
Investments, at Fair Value	169,229,382	154,785,056
Contributions Receivable	2,397,218	2,339,756
Other Assets	494,763	521,328
	\$ 174,723,736	\$ 158,625,182
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 594,950	\$ 357,556
Grants Payable	1,508,016	1,038,476
Income Beneficiaries Payable	443,132	407,109
Funds Held as Nonprofit Endowments	46,230,608	38,073,680
Total Liabilities	48,776,706	39,876,821
NET ASSETS		
Unrestricted:		
Undesignated	6,306,359	5,485,148
Field of Interest	20,140,342	16,544,368
Donor Advised	88,270,410	86,201,700
Donor Designated	8,630,003	7,957,131
Total Unrestricted Net Assets	123,347,114	116,188,347
Temporarily Restricted	2,599,916	2,560,014
Total Net Assets	125,947,030	118,748,361
Total Liabilities and Net Assets	\$ 174,723,736	\$ 158,625,182

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAIN (LOSSES) AND OTHER SUPPORT						
Contributions	\$ 9,989,856	\$ 212,948	\$ 10,202,804	\$ 15,426,705	\$ 1,611,145	\$ 17,037,850
Investment Income, Net of Investment Expenses of \$308,822 in 2009 and \$372,415 in 2008	2,146,919	-	2,146,919	3,189,606	-	3,189,606
Net Unrealized and Realized Investment Gains (Losses)	15,743,694	-	15,743,694	(41,067,367)	-	(41,067,367)
Administrative Fees	230,430	-	230,430	242,324	-	242,324
Change in Value of Split-Interest Agreements	-	226,954	226,954	-	(275,494)	(275,494)
Other	157,157	-	157,157	141,803	-	141,803
Net Assets Released from Restrictions	400,000	(400,000)	-	-	-	-
Total Revenue, Gain (Losses) and Other Support	<u>28,668,056</u>	<u>39,902</u>	<u>28,707,958</u>	<u>(22,066,929)</u>	<u>1,335,651</u>	<u>(20,731,278)</u>
EXPENSE						
Program Services:						
Grants	17,270,961	-	17,270,961	16,784,896	-	16,784,896
Direct Conduct of Charitable Activity	1,158,468	-	1,158,468	169,358	-	169,358
Direct Fund Expenses	1,247,775	-	1,247,775	488,970	-	488,970
Other Program Expenses	595,665	-	595,665	440,708	-	440,708
Total Program Services	<u>20,272,869</u>	<u>-</u>	<u>20,272,869</u>	<u>17,883,932</u>	<u>-</u>	<u>17,883,932</u>
Support Services:						
Management and General	859,928	-	859,928	586,887	-	586,887
Fundraising	376,492	-	376,492	516,383	-	516,383
Total Support Services	<u>1,236,420</u>	<u>-</u>	<u>1,236,420</u>	<u>1,103,270</u>	<u>-</u>	<u>1,103,270</u>
Total Expenses	<u>21,509,289</u>	<u>-</u>	<u>21,509,289</u>	<u>18,987,202</u>	<u>-</u>	<u>18,987,202</u>
CHANGE IN NET ASSETS	7,158,767	39,902	7,198,669	(41,054,131)	1,335,651	(39,718,480)
Net Assets - Beginning of Year	<u>116,188,347</u>	<u>2,560,014</u>	<u>118,748,361</u>	<u>157,242,478</u>	<u>1,224,363</u>	<u>158,466,841</u>
NET ASSETS - END OF YEAR	<u>\$ 123,347,114</u>	<u>\$ 2,599,916</u>	<u>\$ 125,947,030</u>	<u>\$ 116,188,347</u>	<u>\$ 2,560,014</u>	<u>\$ 118,748,361</u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 7,198,669	\$ (39,718,480)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized and Realized Investment (Gains) Losses	(15,743,694)	41,067,367
Funds Held as Nonprofit Endowments	8,156,928	(18,421,385)
Noncash Contributions	(1,983,024)	(868,902)
Changes in Operating Assets and Liabilities:		
Accrued Investment Income	75,277	140,231
Contributions Receivable	(57,462)	(1,219,267)
Other Assets	26,565	254,015
Accounts Payable and Accrued Expenses	237,394	(22,134)
Grants Payable	469,540	399,062
Change in Actuarial Value of Income Beneficiaries Payable	68,876	207,775
Net Cash Used by Operating Activities	(1,550,931)	(18,181,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(84,271,155)	(59,920,955)
Proceeds from Sales of Investments	87,553,547	77,529,231
Payments Received on Notes and Program Loans	-	100,065
Net Cash Provided by Investing Activities	3,282,392	17,708,341
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments to Beneficiary Under Split-Interest Agreements	(32,853)	(34,612)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,698,608	(507,989)
Cash and Cash Equivalents - Beginning of Year	737,826	1,245,815
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,436,434	\$ 737,826
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Contributions of Investment Securities	\$ 1,983,024	\$ 868,902

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Minnesota Community Foundation and Affiliated Organizations (the Foundation) is a community foundation that is both a consortium of trusts and funds operating under a plan (the Plan) filed with the District Court of Ramsey County, Minnesota, and a charitable corporation known as Minnesota Community Foundation, organized pursuant to the Plan. Minnesota Community Foundation is a publicly supported charitable organization. The Foundation is affiliated with The Saint Paul Foundation through the Foundation Services Organization.

The accompanying consolidated financial statements include the accounts of GiveMN and the Warroad Area Foundation. All material interorganization transactions and balances have been eliminated in preparing the consolidated financial statements.

Financial Statement Presentation

The accompanying financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles.

Net Asset Classifications

The Foundation follows an accounting standard that provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The standard also expands disclosures about an organization's endowment funds (both donor restricted and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Minnesota adopted UPMIFA effective August 1, 2008. The Foundation has adopted the accounting for the year ended December 31, 2008. The board of directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to *The Plan for Minnesota Community Foundation* (the Plan) and most contributions are subject to the terms of the Plan. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the Plan, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Asset Classifications (Continued)

Temporarily restricted net assets consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. The Foundation did not have any permanently restricted net assets as of December 31, 2009 and 2008.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, private capital, fixed income, real assets and absolute return strategies. The majority of assets are invested in equity or equity like securities. Fixed income, real assets and absolute return strategies are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than 5.5% plus inflation over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes donor advised, nonprofit, designated, scholarship, community, field of interest and unrestricted. The current spending policy is to distribute an amount equal to 5.5% of a moving four-year average but not less than 4.5% or greater than 6.25% of current market value. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments

Marketable securities are reported at fair value based upon quoted market prices or, when quotes are not available, are valued on the basis of comparable financial instruments.

Limited marketability investments, which principally include private equities, absolute return investments, and real estate, are valued at the quoted market price for securities for which market quotations are readily available or an estimate of value (fair value) as determined in good faith by the general partner. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Donated securities are recorded at their fair value at the date of donation. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair value and cost, respectively.

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 investment balances and the amounts reported in the balance sheets.

Contributions Receivable

Contributions receivable consists of unconditional promise to give and are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates of 2.9% to 3.8%. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

The Foundation is a beneficiary of several charitable remainder unitrusts. In the case where the Foundation does not act as trustee, the Foundation's policy is to record its beneficial interest as contribution revenue in an amount equal to the present value of future cash flows expected to be received when the trust assets are distributed.

Grants

Unconditional grants are recorded as expense when approved by the Foundation's Board of Directors. Grants that are subject to conditions are recorded when the conditions have been substantially met.

**MINNESOTA COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
(CONTINUED)**

Income Beneficiaries Payable

A liability is recorded for the amount due income beneficiaries of charitable remainder trusts when the Foundation acts as trustee. The present value of the estimated future payments to be distributed during the beneficiary's expected life is recorded as a liability using a discount rate of between 5.75% and 6.00% based on the year the gift was received.

Funds Held as Nonprofit Endowments

In accordance with accounting standards, when a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as nonprofit endowments.

The Foundation maintains legal ownership of nonprofit endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability has been established for the fair value of the funds.

Cash Flows

For the purposes of presenting cash flows, cash equivalents include short-term investments with maturities of three months or less, except for cash equivalents included in investments.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Tax Status

The Foundation has received a determination letter from the Internal Revenue Service indicating it has been classified as a publicly supported charitable organization under Internal Revenue Code Section 501(c)(3). As a publicly supported charity, the Foundation is exempt from federal income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code, except on unrelated business income.

The Foundation adopted the accounting standards for contingencies in evaluating uncertain tax positions and files as a tax-exempt organization. No liability has been recognized by the Foundation as a result of the implementation of this standard. Should that status be challenged in the future, all years since inception could be subject to review by the IRS. Its 2007, 2008, and 2009 tax years are open for examination by the IRS.

**MINNESOTA COMMUNITY FOUNDATION
AND AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements

The Foundation follows an accounting standard that 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. In accordance with this standard, 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.

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.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

Derivative Financial Instruments

The Foundation's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk. These financial instruments may include equity, fixed income and foreign currency futures and options contracts, and foreign currency forward contracts. The Foundation uses derivatives to minimize the exposure of certain of its investments to adverse fluctuation in financial and currency markets, thus reducing portfolio risk. The Foundation has not designated any of its derivative financial instruments as hedging instruments.

**MINNESOTA COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Derivative Financial Instruments (Continued)

Market risk represents potential loss from the decrease in the value as a result of fluctuation in the market. Credit risk represents potential loss from possible nonperformance by obligors and counterparties on the terms of their contracts. Management does not anticipate that losses, if any, resulting from credit or market risk would materially affect the Foundation's financial position.

Reclassifications

Certain reclassifications have been made to the prior year consolidated 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.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through July 21, 2010, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are recorded at fair value and consist of the following:

	2009	2008
Cash Equivalents	\$ 20,959,417	\$ 26,940,431
Corporate and U.S. Government Debt Securities and Mutual Funds	32,625,708	30,039,243
Common Stock and Equity Mutual and Collective Funds and Futures	91,822,458	74,148,171
Private Equities	11,191,126	9,208,504
Real Estate	7,051,685	9,434,622
Absolute Return Investments	5,578,988	5,014,085
Total	<u>\$ 169,229,382</u>	<u>\$ 154,785,056</u>

Investments held by the Foundation under split-interest agreements totaled \$740,285 and \$627,368 at December 31, 2009 and 2008, respectively.

Minnesota Community Foundation and The Saint Paul Foundation have formed The Community Investment Group, an investment partnership, which provides its members a means to obtain unified professional management for their investments. 60.5% of Minnesota Community Foundation's investments are invested through The Community Investment Group and the schedule above reflects these holdings in the various asset groups.

**MINNESOTA COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 3 FAIR VALUE MEASUREMENT

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 – Organization and Summary of Significant Accounting Policies.

Assets Measured at Fair Value on a Recurring Basis:

	2009			Total
	Level 1	Level 2	Level 3	
Corporate and U.S. Government				
Debt Securities and Mutual Funds	\$ 19,985,073	\$ 12,640,635	\$ -	\$ 32,625,708
Common Stock and Equity Mutual and Collective Funds and Futures	67,152,335	23,944,123	726,000	91,822,458
Private Equities	-	-	11,191,126	11,191,126
Real Estate	335,154	-	6,716,531	7,051,685
Absolute Return Investments	-	-	5,578,988	5,578,988
Subtotal	<u>87,472,562</u>	<u>36,584,758</u>	<u>24,212,645</u>	<u>148,269,965</u>
Cash Equivalents	-	-	-	20,959,417
Total	<u>\$ 87,472,562</u>	<u>\$ 36,584,758</u>	<u>\$ 24,212,645</u>	<u>\$ 169,229,382</u>
	2008			Total
	Level 1	Level 2	Level 3	
Corporate and U.S. Government				
Debt Securities and Mutual Funds	\$ 15,478,755	\$ 14,560,488	\$ -	\$ 30,039,243
Common Stock and Equity Mutual and Collective Funds and Futures	55,568,732	10,600,099	7,979,340	74,148,171
Private Equities	-	-	9,208,504	9,208,504
Real Estate	-	-	9,434,622	9,434,622
Absolute Return Investments	-	-	5,014,085	5,014,085
Subtotal	<u>71,047,487</u>	<u>25,160,587</u>	<u>31,636,551</u>	<u>127,844,625</u>
Cash Equivalents	-	-	-	26,940,431
Total	<u>\$ 71,047,487</u>	<u>\$ 25,160,587</u>	<u>\$ 31,636,551</u>	<u>\$ 154,785,056</u>

**MINNESOTA COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 Assets

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2009 and 2008.

	Equity Collective Funds	Private Equities	Real Estate	Absolute Return Investments	Total
Balances as of January 1, 2009	\$ 7,979,340	\$ 9,208,504	\$ 9,434,622	\$ 5,014,085	\$ 31,636,551
Net Realized and Unrealized					
Losses on Investments	-	183,122	(2,786,093)	(92,650)	(2,695,621)
Investment Income	-	(5,082)	(212,004)	-	(217,086)
Purchases of Investments	-	2,021,551	280,006	3,221,306	5,522,863
Proceeds from Sale of Investments	-	(216,969)	-	(2,563,753)	(2,780,722)
Transfer out of Level 3	(7,253,340)	-	-	-	(7,253,340)
Balances as of December 31, 2009	<u>\$ 726,000</u>	<u>\$ 11,191,126</u>	<u>\$ 6,716,531</u>	<u>\$ 5,578,988</u>	<u>\$ 24,212,645</u>

	Equity Collective Funds	Private Equities	Real Estate	Absolute Return Investments	Total
Balances as of January 1, 2008	\$ 15,825,894	\$ 10,169,314	\$ 12,299,241	\$ 7,908,630	\$ 46,203,079
Net Realized and Unrealized					
Losses on Investments	(9,876,551)	(1,853,213)	(1,378,819)	(1,269,494)	(14,378,077)
Investment Income	(34,316)	(9,752)	(466,576)	-	(510,644)
Purchases of Investments	2,188,782	1,410,693	(667,424)	(1,625,051)	1,307,000
Proceeds from Sales of Investments	(124,469)	(508,538)	(351,800)	-	(984,807)
Transfer out of Level 3	-	-	-	-	-
Balances as of December 31, 2008	<u>\$ 7,979,340</u>	<u>\$ 9,208,504</u>	<u>\$ 9,434,622</u>	<u>\$ 5,014,085</u>	<u>\$ 31,636,551</u>

In September 2009 guidance was issued under the ASC Topic - Fair Value Measurements and Disclosures which clarified the fair value level classification for entities that calculate net asset value per share or its equivalent. The guidance states that "if a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as a Level 2 fair value measurement." The Foundation previously classified its investments that calculate net asset value per share as a Level 3 fair value measurement, and reclassified these investments as a Level 2 fair value measurement during 2009, resulting in a transfer out of \$7,253,340.

**MINNESOTA COMMUNITY FOUNDATION
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NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of December 31, 2009:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 23,884,847	\$ -	Monthly	2 - 30 Days
Multi-Strategy Hedge Fund of Funds	2,895,102	-	Annually	60 Days
Equity Long/Short Hedge Fund of Funds	2,308,552	-	Quarterly	60 Days

Equity Collective Funds includes investments in long only funds and a long/short enhanced index fund that are invested in domestic and international common stocks. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Multi-Strategy Hedge Fund of Funds that is invested primarily in a diversified portfolio of directly originated loan investments, distressed corporate and mortgage bonds and long/short credit. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Equity Long/Short Hedge Fund of Funds that is invested primarily in long/short equity managers along with distressed debt managers. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

**MINNESOTA COMMUNITY FOUNDATION
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NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable in more than one year are stated at fair value at initial recognition. Fair value is determined as the present value of estimated cash flows using a discount rate ranging from 2.9% to 3.8%. The discount as of December 31, 2009 and 2008 was \$28,808 and \$56,210, respectively. Unconditional contributions receivable outstanding as of December 31, 2009 and 2008 are generally due as follows:

	2009			Total
	Less than One Year	One Year to Five Years	More Than Five Years	
Unconditional Promises to Give	\$ 1,035,000	\$ 416,192	\$ -	\$ 1,451,192
Charitable Remainder Trusts	-	-	946,026	946,026
Total	<u>\$ 1,035,000</u>	<u>\$ 416,192</u>	<u>\$ 946,026</u>	<u>\$ 2,397,218</u>

	2008			Total
	Less than One Year	One Year to Five Years	More Than Five Years	
Unconditional Promises to Give	\$ 400,000	\$ 1,143,790	\$ -	\$ 1,543,790
Charitable Remainder Trusts	-	-	795,966	795,966
Total	<u>\$ 400,000</u>	<u>\$ 1,143,790</u>	<u>\$ 795,966</u>	<u>\$ 2,339,756</u>

NOTE 5 GRANTS PAYABLE

Grants payable in more than one year are stated at fair value at initial recognition. Fair value is determined as the present value of estimated cash flows using a discount rate ranging from 2.9% to 5.7%. The discount as of December 31, 2009 and 2008 was \$23,261 and \$19,438, respectively. Unconditional grants payable as of December 31 are generally due as follows:

	2009	2008
Less than One Year	\$ 1,297,444	\$ 867,723
One Year to Five Years	210,572	170,753
Total	<u>\$ 1,508,016</u>	<u>\$ 1,038,476</u>

At December 31, 2009 and 2008, the Foundation has unpaid approved grants of \$-0- and \$150,000, respectively, which are subject to conditions and have not been reflected in the accompanying consolidated financial statements.

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NOTE 6 FUNDS HELD AS NONPROFIT ENDOWMENTS

At December 31, 2009 and 2008, the Foundation is the owner of nonprofit endowment funds with a consolidated value of \$46,230,608 and \$38,073,680, respectively. The following table summarizes activity in such funds during the years ended December 31:

	2009	2008
Funds Held as Nonprofit Endowments at January 1	\$ 38,073,680	\$ 56,495,065
Amounts Raised from Nonprofits	2,512,150	1,386,514
Investment Income	995,351	1,328,505
Net Unrealized and Realized Investment Gains	7,493,990	(17,398,567)
Amounts Disbursed to Nonprofits	(2,610,805)	(3,486,471)
Administrative Fees	(217,859)	(250,134)
Other Expenses	(15,899)	(1,232)
Funds Held as Nonprofit Endowments at December 31	\$ 46,230,608	\$ 38,073,680

NOTE 7 ENDOWMENT BY NET ASSET CLASS

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted net assets were \$-0- at December 31, 2009 and 2008. The endowment net assets and activity for 2009 and 2008 consisted of the following:

	2009	
	Unrestricted	Total
Other Endowment Funds:		
Undesignated	\$ 2,415,834	\$ 2,415,834
Field of Interest	16,944,362	16,944,362
Donor Advised	34,865,124	34,865,124
Designated	8,542,059	8,542,059
Subtotal Other Endowment Funds	62,767,379	62,767,379
Board Designated Endowment Funds	40,382	40,382
Total Endowment Funds	\$ 62,807,761	\$ 62,807,761
	2008	
	Unrestricted	Total
Other Endowment Funds:		
Undesignated	\$ 2,112,118	\$ 2,112,118
Field of Interest	14,147,724	14,147,724
Donor Advised	33,180,502	33,180,502
Designated	7,633,474	7,633,474
Subtotal Other Endowment Funds	57,073,818	57,073,818
Board Designated Endowment Funds	36,992	36,992
Total Endowment Funds	\$ 57,110,810	\$ 57,110,810

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NOTE 7 ENDOWMENT BY NET ASSET CLASS (CONTINUED)

Other Endowment Funds include funds that are subject to the Foundation's spending policy under gift agreement but are not endowment funds as defined by UPMIFA.

NOTE 8 CHANGES IN ENDOWMENT NET ASSETS

	2009	
	Unrestricted	Total
Endowment Net Assets, Beginning of Year	\$ 57,110,810	\$ 57,110,810
Interest and Dividends, Net of Investment Expense	1,133,247	1,133,247
Net Appreciation	7,636,809	7,636,809
Contributions	2,586,902	2,586,902
Amounts Appropriated for Expenditure	(5,660,007)	(5,660,007)
Change in Endowed Net Assets	5,696,951	5,696,951
Endowment Net Assets, End of Year	\$ 62,807,761	\$ 62,807,761
	2008	
	Unrestricted	Total
Endowment Net Assets, Beginning of Year	\$ 79,706,204	\$ 79,706,204
Interest and Dividends, Net of Investment Expense	1,650,003	1,650,003
Net Appreciation	(24,875,920)	(24,875,920)
Contributions	3,987,051	3,987,051
Amounts Appropriated for Expenditure	(3,356,528)	(3,356,528)
Change in Endowed Net Assets	(22,595,394)	(22,595,394)
Endowment Net Assets, End of Year	\$ 57,110,810	\$ 57,110,810

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2009 and 2008:

	2009	2008
Split Interest Agreements	\$ 1,243,178	\$ 1,016,224
Time Restricted Contributions Receivable	1,356,738	1,543,790
Total	\$ 2,599,916	\$ 2,560,014

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NOTE 10 RELATED-PARTY TRANSACTIONS

The Foundation, under the terms of a written agreement, receives administrative and staff services from The Saint Paul Foundation. For the years ended December 31, 2009 and 2008, expenses incurred for these services were \$1,815,030 and \$1,237,564, respectively. A significant portion of the accounts payable at December 31, 2009 and 2008 consists of unpaid obligations under this agreement.

During 2009 and 2008, the Foundation received contributions of \$805,775 and \$85,800, respectively, from The Saint Paul Foundation.