

**MARBROOK
FOUNDATION**

2012 Annual Report

Letter from the Chair of the Board and Executive Director

In 2012, Marbrook Foundation continued its focus on organizations and programs serving immigrants and refugees in the Twin Cities. Nearly 85% of the foundation's grant dollars supported an array of programs assisting immigrants and refugees and their children, including academic success, affordable housing, leadership development, job training, and economic development.

A fairly substantial change in 2012 was the adjustment in Marbrook's proposal deadlines to give us more time between the deadline and the board meeting to review proposals, consider projects, and go on site visits. An added bonus was becoming better acquainted with many of our grantee organizations. During our site visits, we observed that more and more organizations are taking a more holistic approach to serving immigrants and refugees. This approach means that nonprofits are not only assisting immigrants and refugees in finding a job and an affordable place to live, but are also working with clients to ensure that they have educational opportunities, understand financial aid forms, find affordable housing that suits their preference (urban, suburban, rural), work to heal their trauma, and engage in leadership opportunities in their children's schools.

Marbrook made grants to four organizations in 2012 that are taking a holistic approach to supporting immigrants and refugees. Two of these organizations, Comunidades Latinas Unidas En Servicio (CLUES) and the Greater Twin Cities United Way, are using navigators to help immigrants and refugees access available resources. The other two organizations, the Minnesota Council of Churches and CLIMB Theatre, are using storytelling to help our community understand the refugee experience and to help refugees experience healing.

CLUES has engaged several navigators to work one-on-one with families and individuals to help them meet basic needs and overcome barriers, and to ensure that they receive the bundle of services and supports required to transition to self-supporting members of the community. Navigators support clients in education, support services, job placement, and financial empowerment services.

The Greater Twin Cities United Way is using a grant from Marbrook for the FastTRAC Career Navigators Program, a collaboration between local and national partners that helps educationally underprepared adults succeed in well-paying careers by integrating basic skills education and career-specific training in fields where new skills are in high demand (i.e., medical, manufacturing and administrative fields). Most of the clients served through FastTRAC have no post-secondary background and are English Language Learners. The FastTRAC Career Navigators mentor students, facilitate comprehensive support services, walk students through financial aid and applications, and network among community colleges, workforces agencies, nonprofits, and employers.

Letter from the Chair of the Board and Executive Director (cont.)

Storytelling, which has long been used to facilitate healing, understand differences, and connect past and present, has been a way for refugees to talk about their experiences, whether life in the refugee camp, the difficulty of finding a job in the United States, or the challenge of maintaining their own cultural traditions. The Minnesota Council of Churches' Refugee Speakers Bureau not only educates the Twin Cities community about refugee issues through storytelling, but also allows the speaker-refugees, by telling their stories, to work towards healing the trauma they have experienced. As a result of the Refugee Speakers Bureau, the MCC has published a book, *This Much I Can Tell You: Stories of Courage and Hope from Refugees in Minnesota*, which shares the stories of eighteen new Minnesotans.

A Deeper Look, developed by CLIMB Theatre, consists of a diverse cast of young actors telling their own stories of prejudice. The stories told in the play touch on the history of prejudice in this country, the racism that can tear apart a community, and the joy of learning about different cultures. *A Deeper Look* was written to inspire people to be more accepting of differences. This play has been presented at high schools throughout the Twin Cities.

We look forward to another year of making grants to organizations serving immigrants and refugees in the Twin Cities, thereby ensuring that nonprofit organizations working in this area can effect positive change in our community. We welcome your comments and questions and encourage you to call Julie Hara at 612-752-1783 or email her at jhara@marbrookfoundation.org.

Julie Zelle
Chair of the Board

Julie Hara
Executive Director

Summary of 2012 Contributions

ENVIRONMENT	\$12,500
EDUCATION	\$168,500
BODY, MIND AND SPIRIT	\$20,000
ARTS	\$40,000
SOCIAL EMPOWERMENT	\$367,000
FAMILY RECOMMENDED GRANTS	\$92,000
	\$700,000

Summary of 2012 Grants:

ENVIRONMENT

Minnesota Center for Environmental Advocacy

Uses science, law and research to protect Minnesota's natural resources

Program support for the MCEA's transit work in the Twin Cities

\$12,500

Summary of 2012 Grants:

EDUCATION

Amherst H. Wilder Foundation

Works to meet the needs of vulnerable individuals and families in St. Paul

Project support for the Latino Leadership Program

\$10,000

Big Brothers Big Sisters of the Greater Twin Cities

Youth mentoring organization

Toward a \$20,000 pledge of project support for a mentoring initiative in the Oromo community

\$10,000

CSJ Ministry Collaborative

Organization of women dedicated to improving the community of Minneapolis-St. Paul

Project support for Learning in Style

\$10,000

Centro Guadalupano

Provides educational programs and human services to immigrant and economically disadvantaged families

General operating support

\$7,500

Century College Foundation

Raises funds for Century College

Project support for the PACE program

\$10,000

ECHO Minnesota

Collaborates with diverse communities to deliver programs and services that help people be healthy, contribute and succeed

Project support for the English Language Learning Curriculum focused on voter engagement

\$7,500

English Learning Center

Provides classes in English, math, computer skills and citizenship exam preparation

General operating support

\$5,000

Summary of 2012 Grants:

EDUCATION (*cont.*)

LDA Minnesota

Helps children, youth and adults with learning difficulties learn successfully, dream of possibilities and achieve their goals

Project support for the Learning Connections Program: Developing College-Ready Writing

\$7,500

Learning Works at Blake: A Breakthrough Program

Academic enrichment program serving middle school students in the Minneapolis Public Schools

General operating support

\$10,000

Minnesota Council of Churches

Ecumenical body representing Protestant denominational judicatories in Minnesota

Toward a \$10,000 pledge of project support for the MCC Refugee Speakers Bureau

\$5,000

Minnesota Historical Society

Historical museum

General operating support in memory of Marney Brooks

\$15,000

Project 515 Education Campaign

Public education campaign that worked to defeat the amendment stating that only a union of one man and one woman shall be valid or recognized as marriage in Minnesota

General operating support

\$10,000

Project Success

Youth development organization

Project support for the BWCA Adventures program for 7th and 8th graders in the Saint Paul Public Schools

\$10,000

Somali Success School

Works to educate, empower and encourage immigrants to be self-sufficient, contributing members of the community

General operating support

\$10,000

Summary of 2012 Grants:

EDUCATION (*cont.*)

Teach for America—Twin Cities

National organization that seeks to address the achievement gap that exists along socioeconomic and racial lines

Project support for the Sponsor A Teacher Campaign

\$15,000

YWCA of Minneapolis

Works to eliminate racism, empower women and girls, and promote peace, justice, freedom and dignity for all

Project support for the YWCA Beacons Learning Center at the Hmong International Academy

\$10,000

Women's Initiative for Self-Empowerment (WISE), Inc.

Works to empower immigrant women and girls to succeed

Project support for the Girls Getting Ahead in Leadership (GGAL) program

\$16,000

Summary of 2012 Grants:

BODY, MIND, & SPIRIT

Institute for Agriculture and Trade Policy

Works to ensure fair food, farm and trade systems for all people

In fulfillment of a \$40,000 pledge of project support for the Local Foods program

\$20,000

Summary of 2012 Grants:

THE ARTS

CLIMB Theatre

Touring, educational theatre that brings plays and classes directly to schools across the Upper Midwest

Project support for *A Deeper Look*

\$10,000

Friends of Eastcliff

Support organization for the official residence of the University of Minnesota President
Toward a \$100,000 capital pledge for restoration of the summer house

\$10,000

Minnesota Orchestral Association

Symphony orchestra dedicated to enriching lives with great music

Project support for the UPbeat Encore partnership with Anderson United School and the Hmong International School

\$5,000

Mu Performing Arts

Asian American theater company

Project support for the Stories program

\$5,000

Pangea World Theater

Works to illuminate the human condition, celebrate cultural differences and promote human rights by creating and presenting international, multi-disciplinary theater

General operating support

\$10,000

Summary of 2012 Grants:
SOCIAL EMPOWERMENT

AccessAbility

Provides employment and training for people representing a range of barriers to employment
Project support for the Immigrant and Refugee Program

\$10,000

African Development Center

Works within African communities in Minnesota to start and sustain successful businesses,
build assets, and promote community reinvestment

General Operating Support

\$15,000

CAPI

Guides refugees and immigrants in their journey to self-determination and social equality

General Operating Support

\$10,000

Catholic Charities

Provides emergency shelter, transitional housing, supportive housing, food shelves,
health services, elder care, early childhood education and more

Project support for the reception and placement program

\$5,000

Center for Victims of Torture

Works to heal the wounds of torture on individuals, their families, and their communities

General operating support

\$10,000

Commonbond Communities

Provides affordable housing and services

Project support for the Advantage Services at four affordable housing communities

\$10,000

Comunidades Latinas Unidas En Servicio (CLUES)

Works to improve the quality of life of the Latino community in Minnesota

Project support for Navigators for Economic Advancement Services

\$10,000

Summary of 2012 Grants:
SOCIAL EMPOWERMENT (*cont.*)

Emerge Community Development

Connects disadvantaged people with economic opportunities

General operating support

\$15,000

The Family Partnership

Works to build strong families, vital communities and better futures for children

Project support for New Somali Voices

\$8,000

Greater Minneapolis Council of Churches

Mobilizes congregations and volunteers to serve human needs and seek social justice

Project support for the Center for Families

\$5,000

Greater Twin Cities United Way

Unites caring people to build pathways out of poverty, creating opportunity for all

Project support for the FastTRAC Career Navigators Program

\$15,000

Hmong American Partnership

Social service and community development organization serving immigrants and refugees

Project support for the Sustainable Economic and Environmental Development (SEED)

Farmers Program

\$15,000

Hnub Tshiab: Hmong Women Achieving Together (HWAT)

Works to improve the lives of Hmong women

Project support for the Hmong Women's Leadership Institute

\$7,500

Hope Community

Community development organization

General operating support

\$10,000

International Institute of Minnesota

Social service agency for immigrants and refugees

Project support for the Medical Career Pathway Program

\$5,000

Summary of 2012 Grants:

SOCIAL EMPOWERMENT (cont.)

Latino Economic Development Center

Creates economic opportunities for Latinos

General operating support for the Latino Academy

\$10,000

Lifetrack Resources

Helps Minnesotans create a better life for themselves and their families

Project support for the CAREER (Coalition Assisting Refugee Early Employment and Retention) program

\$10,000

Lutheran Social Service of Minnesota

Social services provider

Toward a \$45,000 pledge of project support for LSS Refugee Services

\$15,000

Microgrants

Provides grants to low-income individuals

Toward a \$30,000 pledge of general operating support

\$10,000

Minnesota African Women's Association

Promotes the health and well-being of African refugee and immigrant women and their families

Project support for the Amakolo program

\$10,000

Minnesota Food Association

Works to build a more sustainable food system based on social, economic and environmental justice through training, education and partnerships

In fulfillment of a \$20,000 pledge of project support for Big River Farms

\$10,000

MORE Multicultural School for Empowerment

Empowers people of many races, cultures and ethnic backgrounds to live and work in peace

General operating support

\$7,500

Summary of 2012 Grants:
SOCIAL EMPOWERMENT (*cont.*)

Neighborhood Development Center

Empowers entrepreneurs and communities to transform their neighborhoods

Towards a \$45,000 pledge of general operating support

\$19,000

Project support for the Midtown Global Market

\$15,000

Nexus Community Partners

Supports inclusive, place-based community building initiatives that expand community assets, and build social and human capital that result in more engaged and powerful communities

General operating support

\$15,000

Pillsbury United Communities

Provides neighborhood and family support services in North and South Minneapolis

Project support for the Coyle Community Cafe

\$10,000

Planned Parenthood Minnesota, North Dakota, South Dakota

Provides reproductive health care and family planning services

Project support for the Hmong STAR and Youth Power peer education programs

\$10,000

Plymouth Church Neighborhood Foundation

Affordable housing provider

In fulfillment of a \$30,000 pledge of capital support for North Haven II

\$10,000

Project for Pride in Living

Works in the inner-city neighborhoods of Minneapolis and St. Paul and five first-ring suburbs to meet the housing, job and neighborhood needs of low-income residents

Project support for Somali Work Readiness Training

\$15,000

Twin Cities Habitat for Humanity

Builds affordable homes

Towards a \$75,000 pledge for the World of Hope—It Starts at Home Campaign

\$25,000

Summary of 2012 Grants:
SOCIAL EMPOWERMENT (*cont.*)

Wellshare International

Works to improve the health of women, children, and their communities

General operating support

\$10,000

Women's Foundation of Minnesota

Funds innovative social change programs to achieve women's equality, build women's philanthropy, conduct and disseminate research reports on the status of women and girls, advocate for public policies to improve the condition of women and families, and educate the public about the successes and challenges of Minnesota's women and girls

Towards a \$45,000 pledge of project support for Building the Power of Immigrant and Refugee Women and Girls

\$15,000

Summary of 2012 Grants:
FAMILY RECOMMENDED GRANTS

Alzheimer's Association Minnesota North Dakota

Working to eliminate alzheimer's disease

General operating support

\$3,000

Amherst College

Private liberal arts college

General operating support

\$1,000

Animal Humane Society

Animal welfare organization

General operating support

\$1,000

Breck School

Private K-12 school

General operating support

\$2,500

Summary of 2012 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Center for the American Experiment

Public policy and educational institution

General operating support

\$1,000

Colorado Rocky Mountain School

Private high school

Support for The Wilderness Fund

\$1,000

Connecticut College

Private liberal arts college

General operating support

\$1,500

Cornell University

Private university

General operating support for The School of Hotel Administration

\$1,000

Crossroads School for the Arts and Sciences

Private K-12 school

General operating support

\$1,500

Friends' School

Private pre-K-5 school

General operating support

\$6,500

Growing Gardens

Promotes home-scale organic food gardening to improve nutrition, health and self-reliance

General operating support

\$2,000

Hazelden Foundation

Alcohol and drug addiction treatment center

General operating support

\$1,000

Summary of 2012 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Hill Museum & Manuscript Library

Dedicated to preserving endangered or significant manuscripts

General operating support

\$1,000

Khyentse Foundation

Dedicated to the support and enhancement of Buddhist study, practice and scholarship throughout the world

General operating support

\$2,000

Live Action Set

Theater

General operating support

\$1,000

Lotus Outreach

Dedicated to ensuring the education of at-risk and exploited women and children in the developing world

General operating support

\$1,000

Luke's Wings

Supports service members wounded in battle

General operating support

\$6,000

Mackintosh Academy

Private pre-K-8 school

General operating support

\$1,000

Midwest Arts Conservation Center

Works for the preservation and conservation of art and artifacts in the Upper Midwest region

General operating support

\$1,000

Summary of 2012 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Mill City Summer Opera

Outdoor summer opera company

General operating support

\$1,000

Minneapolis Heart Institute Foundation

Supports education and research to prevent and eventually end heart disease

General operating support

\$1,000

Minnesota Boychoir

Trains young men to be outstanding musicians and strives to help them develop a sense of poise and self-confidence through education and performance

General operating support

\$2,000

Minnesota Hooved Animal Rescue Foundation

Rescues and restores the health of horses and other animals in distress

General operating support

\$2,000

Nalandbodhi

Organization committed to exploring the ancient Buddhist science of mind as it applies to modern life

General operating support

\$2,000

Naropa University

Liberal arts college

Support for the Coburn Scholarship Fund

\$2,000

The Nature Conservancy of Minnesota

Environmental and wildlife protection agency

General operating support

\$3,000

The Nature Conservancy in Colorado

Environmental and wildlife protection agency

General operating support

\$1,000

Summary of 2012 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

New Roads School

Private k-12 school

General operating support

\$1,500

Nonviolent Peaceforce

Applies nonviolent strategies to protect human rights, deter violence, and help create space for local peacemakers to carry out their work

General operating support

\$2,000

Pheasants Forever

Dedicated to the conservation of pheasants, quail and other wildlife

General operating support

\$3,000

Piedmont Council of the Arts

Works to sustain the arts as an essential part of the quality of life in Charlottesville, VA

General operating support

\$3,000

Productive Alternatives

Provides services for individuals with disabilities

General operating support

\$3,000

Project Success

Inspires young people to imagine, believe in, and act upon the possibilities in their own lives

General operating support

\$4,000

Puppet Farm Arts

Facilitates acts of communal storytelling, through the teaching of art-making, theater, music and dance

General operating support

\$1,000

Romero Institute

Policy research firm

General operating support

\$4,000

Summary of 2012 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

St. Anne's-Belfield School

Private pre-K-12 school

General operating support

\$3,000

Santa Barbara Maritime Museum

Maritime museum

General operating support

\$1,000

Shambhala International Center

Part of an international community of Buddhist meditation and retreat centers

Support for The Legacy Project

\$5,000

Stages Theatre Company

Theater for children

General operating support

\$1,000

Theatre Forever

Performance company focused on the creation of new work

General operating support

\$1,000

TigerLion Arts

Aims to awaken and celebrate humanity's fundamental goodness through theatre and film

General operating support

\$1,500

Yale School of Management

Graduate business school of Yale University

Capital support for the new building

\$6,000

Support for the Yale SOM Alumni Fund

\$2,000



The Board of Trustees
Marbrook Foundation
Minneapolis, Minnesota

We have audited the financial statements of Marbrook Foundation (the Foundation) for the year ended December 31, 2012, and have issued our report thereon dated July 9, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 30, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the market value of alternative investments is based on the K-1. Market values are unaudited for the purpose of expressing an opinion on the financial statements.

Management has elected to prepare the financial statements on the modified cash basis of accounting. Accordingly, accruals for income earned or expenses incurred, as well as increases or decreases in market values of investments are not reflected as part of the financial statement presentation. As a result, users of the financial statements may come to different conclusions regarding the financial health of the Foundation as compared to financial statements prepared on the accrual basis of accounting.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Marbrook Foundation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Minneapolis, Minnesota
July 9, 2013



Financial Statements
December 31, 2012 and 2011
Marbrook Foundation

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Independent Auditor's Report

The Board of Trustees
Marbrook Foundation
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Marbrook Foundation (the Foundation), which comprise the statement of assets and principal arising from cash transactions –modified cash basis as of December 31, 2012 and 2011, and the related statements of cash receipts and disbursements and changes in principal – modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets and principal arising from cash transactions of Marbrook Foundation, as of December 31, 2012 and 2011, and its cash receipts and disbursements and changes in principal for the years then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
July 9, 2013

Marbrook Foundation
Statements of Assets and Principal Arising from Cash Transactions – Modified Cash Basis
December 31, 2012 and 2011

	2012		2011	
	Market (unaudited)	Cost	Market (unaudited)	Cost
Assets				
Investments				
Equity	\$ 8,013,521	\$ 6,089,412	\$ 6,817,360	\$ 5,770,164
Fixed income investments (including corporate obligations, United States government and agency obligations)	3,116,895	3,010,903	2,730,165	2,697,336
Investment in limited liability company	2,787,352	1,911,148	2,597,051	1,818,417
Investment in limited partnerships	-	-	4,825	4,822
Investment in program related investments	150,000	150,000	-	-
Cash and cash equivalents	483,795	483,795	1,793,091	1,793,091
Total investments	<u>\$ 14,551,563</u>	<u>\$ 11,645,258</u>	<u>\$ 13,942,492</u>	<u>\$ 12,083,830</u>
Principal Arising from Cash Transactions		<u>\$ 11,645,258</u>		<u>\$ 12,083,830</u>

Marbrook Foundation

Statement of Cash Receipts and Disbursements and Changes in Principal – Modified Cash Basis
Years Ended December 31, 2012 and 2011

	2012	2011
Receipts		
Dividends	\$ 235,397	\$ 198,018
Interest	76,959	75,778
Net gain on sales of investments	365,114	426,248
Other portfolio income	3	80,656
Total receipts	677,473	780,700
Disbursements		
Excise tax on net investment income	17,000	16,036
Income tax on unrelated business income tax	4,464	-
General and administrative expenses	123,773	124,805
Investment management and custodial fees	96,672	157,428
Net loss on sales of investments	162,202	-
Other portfolio loss	11,934	-
Charitable contributions	700,000	675,000
Total disbursements	1,116,045	973,269
Net decrease in principal for the year	(438,572)	(192,569)
Principal, Beginning of Year	12,083,830	12,276,399
Principal, End of Year	\$ 11,645,258	\$ 12,083,830

Note 1 - Significant Accounting Policies

Nature of Business

Marbrook Foundation (the Foundation) was formed under an agreement dated November 1, 1948 to be operated exclusively for religious, charitable, scientific, literary or educational purposes within the United States.

Basis of Statement Presentation

The Foundation has adopted the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, investments are recorded at cost in the accompanying financial statements, and the financial statements do not reflect such items as unrealized appreciation or depreciation on investments, accruals for interest and dividends receivable, accruals for expenses or federal excise taxes, or amortization of bond discounts and premiums. Gain or loss on sale of investments is recorded on a net basis. Reinvested dividends are included in cash receipts and added to the cost basis of investments. Statement of Cash Receipts and Disbursements and Changes in Principal classifies and accumulates income and expenses based on the equity allocations received from certain underlying investments. Market value of the investments is unaudited and shown for presentation purposes only.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments in debt securities with original maturities of three months or less, when purchased, to be cash equivalents. The short-term highly liquid investments are carried at cost, which approximates market. At times, cash and cash equivalents may be in excess of FDIC insurance limits. Deposits in transit are included in the year-end cash balances.

Carrying Value of Investments

Investments are recorded at cost at the trade date, adjusted for subsequent repayments of principal as applicable. Gains and losses on the sales of investments are computed on a specific identification basis. Market values for common stocks and fixed income securities disclosed in the accompanying financial statements are based upon published quotations. Market values for limited liability company investments are valued at management's best estimate of fair value. Management's valuations are generally based on the Foundation's capital balance as reported by the investment entity, subject to the Foundation's review and approval.

Charitable Contributions

It is the Foundation's policy to comply with federal income tax regulations governing the minimum amount of charitable contributions to be distributed.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes

The Foundation undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. There are no unrecognized tax benefits as of December 31, 2012 and 2011. The Foundation will recognize future interest and penalties related to unrecognized tax benefits in income tax expense. The Foundation is no longer subject to Federal tax examinations by tax authorities for years before 2009 and state examinations for years before 2009.

Subsequent Events

The Foundation has evaluated subsequent events through July 9, 2013, the date which the financial statements were available to be issued.

Note 2 - Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of the investments.

Note 3 - Fixed Income Investments

The following is the detail of fixed income investments by major group:

December 31, 2012	<u>Cost</u>	<u>Market</u>
Fixed Income Obligations		
United States government and agency obligations	\$ 1,144,416	\$ 1,241,140
Corporate obligations	264,824	265,456
Municipal bonds	203,338	216,350
Trust preferreds	236,480	247,214
Mutual fund	1,161,845	1,146,735
	<u>3,010,903</u>	<u>3,116,895</u>
December 31, 2011	<u>Cost</u>	<u>Market</u>
Fixed Income Obligations		
United States government and agency obligations	\$ 1,297,107	\$ 1,420,586
Corporate obligations	316,000	319,365
Mutual fund	1,084,229	990,214
	<u>2,697,336</u>	<u>2,730,165</u>

Note 4 - Investment in Limited Liability Company

The Foundation invests in a limited liability company (LLC). The LLC is a fund which invests in equity securities. As of December 31, 2012 and 2011, respectively, the Foundation has \$1,911,148 (market value \$2,787,352) and \$1,818,417 (market value \$2,597,051) invested in the LLC. Investments in entities of this nature may result in restrictions in the liquidation of the investment by the Foundation. A notice requirement for partial liquidation or redemption of investment is ten days prior to month-end and thirty days notice in the case of a complete liquidation. Liquidations or redemptions are effective on the last day of the month. The Foundation does not have a commitment for further investment in this entity.

Note 5 - Investment in Program Related Investments

The Foundation invests in a Program Related Investment (“PRI”). The PRI is a community loan fund which loans funds to start-up minority enterprises in Minnesota. The PRI is a loan which has a lump sum payment due in 2015. Interest income is received quarterly at an annual effective rate of 2%. PRI rules allow Foundations to record the loan on its annual tax return as a current year qualifying distribution for charitable purposes. When loan principal payments are received they will be treated as grant refunds on the tax return.

Note 6 - Excise Tax

The Foundation is classified as a private foundation, as defined in Section 509(a) of the Internal Revenue Code and is subject to an excise tax on net investment income. The effective excise tax rate was 1% for the years ended December 31, 2012 and 2011. The Foundation paid \$17,000 and \$8,000 in excise tax in 2012 and 2011, respectively.

Note 7 - Income Tax (Unrelated Business Income Tax)

Certain activities not directly related to the Foundation are subject to taxation as unrelated business income. The Foundation paid \$4,464 and \$0 in unrelated business income tax in 2012 and 2011, respectively.

Note 8 - Commitments

At December 31, 2012, the Foundation has unpaid pledges for charitable contributions totaling \$146,000, payable over the next two years, and an aggregate total of \$186,000. The payments are expected as follows:

Years Ending December 31,	Amount
2013	\$ 40,000
2014	106,000
2015	-
2016	40,000
2017	-
	\$ 186,000

Note 9 - Related-Party Transactions

Certain administrative expenses are allocated to the Foundation by Sawmill Private Management, Inc., an affiliated entity. The Foundation paid approximately \$32,412 and \$28,066 in related-party administrative costs and grant fees in 2012 and 2011, respectively.

Note 10 - Leases

The Foundation leases office space under an operating lease that expires on February 28, 2017. The lease expense and occupancy costs were \$7,412 and \$6,352 for 2012 and 2011, respectively. The following is a schedule by year of future minimum lease payments required under the lease:

Years Ending December 31,	Amount
2013	\$ 4,355
2014	4,355
2015	4,355
2016	4,355
2017	726
	\$ 18,146