

**MARBROOK
FOUNDATION**

2013 Annual Report

Letter from the Chair of the Board and Executive Director

2013 at the Marbrook Foundation was a year of hope – for the impact we are making on the immigrant and refugee community in the Twin Cities metro area; excitement – for the election of a new Chair to the Marbrook board; and sadness – for the loss of Marbrook Trustee Conley Brooks, who passed away in December at the age of 92.

Hope: Six years ago, Marbrook adapted its guidelines to focus almost exclusively on organizations and programs serving immigrants and refugees in the Twin Cities. This adjustment meant discontinuing support to numerous organizations, many that Marbrook had supported for years, and it also meant that we had the potential to make a greater impact on the organizations that fell under our new, albeit more narrow, guidelines. We understand that one foundation (or even many) cannot meet the growing needs of immigrant and refugee communities, but we hope that Marbrook has made, and continues to make, a significant impact on the Twin Cities immigrant and refugee community.

Several programs Marbrook funded in 2013 allowed immigrants and refugees to use their agricultural skills – acquired, for the most part, in their native countries – to learn English, tell stories, farm in Minnesota, market their produce, and acquire a job. **The Immigrant Garden Project at The Harmony School** provides an English Language Learning class conducted in the garden. The class includes telling stories about food, farming, cooking, family and culture. **The Karen Organization of Minnesota’s Restorative Farming Project** is providing three-year apprenticeships, land and materials to four Karen refugees to develop their ability to farm. All apprentices are refugees from Burma who have previous agricultural experience, want to pursue organic farming on a market scale and have a basic command of English. Finally, the **Hmong American Partnership’s Career Advancement Placement Program** prepares qualified participants for different career pathways within the horticultural and agricultural sectors.

Excitement: At the December 2013 Marbrook meeting, the Trustees welcomed Minna K. Brooks as Chair of the Board. Minna succeeds Julie B. Zelle, who served as Chair for six years. Julie, who was instrumental in leading the Foundation to its new area of focus, elected to rotate off the board after six years as Chair and fifteen years as Trustee. Minna, a Vice President at J.P. Morgan, was born in Seoul, Korea, grew up in New York City, and has lived in Minneapolis for two years. Minna is married to Colin Brooks and has two children.

Sadness: Finally, the Trustees and staff of Marbrook are mourning the passing of Conley Brooks, the eldest son of Marbrook Foundation founders Edward and Markell C. Brooks. Conley served on the Foundation Board from 1948 until his death. We will miss his spirit, kindness and leadership.

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

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 2013 Contributions

ENVIRONMENT	\$25,000
EDUCATION	\$177,000
ARTS & CULTURE	\$50,000
SOCIAL EMPOWERMENT	\$395,700
FAMILY RECOMMENDED GRANTS	\$81,000
	\$728,700

Summary of 2013 Grants:

ENVIRONMENT

The Sierra Club Foundation

Helps educate, inspire and empower humanity to preserve the natural and human environment

Program support for the Sierra Club's Minnesota Environmental Justice Project

\$10,000

Trust for Public Land

Conserves land for people to enjoy as parks, gardens, and other natural places, ensuring livable communities for generations to come.

Program support for the Frogtown Park and Farm

\$15,000

Summary of 2013 Grants:

EDUCATION

Big Brothers Big Sisters of the Greater Twin Cities

Youth mentoring organization

In fulfillment of 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

Century College Foundation

Raises funds for Century College

Project support to help purchase tablets for the English for Speakers of Other Languages (ESOL) program

\$10,000

Genesys Works-Twin Cities

Helps minority and economically-challenged high school students to enter the economic mainstream by providing them with the knowledge and work experience required to succeed as professionals

General operating support

\$10,000

Heritage Academy of Science and Technology

Public school in the Minneapolis school district that serves a low-income, East African population of 230 students in grades six through 12

General operating support

\$7,500

Hiawatha Academies

Network of open enrollment college preparatory and character focused charter schools dedicated to closing the achievement gap in Minneapolis

General operating support

\$20,000

Summary of 2013 Grants:

EDUCATION (cont.)

Hmong American Partnership

Social service and community development organization that provides services to immigrants and refugees in St. Paul

Project support for Hmong language instruction

\$5,000

Independent School District 622

North St. Paul-Maplewood-Oakdale School District

Project support for the Immigrant Garden Project at the Harmony School

\$11,000

Learning Works at Blake: A Breakthrough Program

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

General operating support

\$5,000

Minnesota Council of Churches

Ecumenical body representing Protestant denominational judicatories in Minnesota

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

\$5,000

Neighborhood House

Multicultural human services organization

Project support for the Adult Education program

\$12,500

Project Success

Youth development organization

Project support for the BWCA Adventures program for middle school ELL students

\$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 2013 Grants:

EDUCATION (*cont.*)

Teach for America—Twin Cities

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

Towards a \$30,000 pledge of general operating support for Twin Cities corps members teaching students from immigrant and refugee families

\$20,000

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

Way to Grow

Works closely with parents and communities to ensure that children within the most isolated families are born healthy, stay healthy and are prepared for school

Project support for the elementary education component of the Great by 8 initiative

\$5,000

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 2013 Grants:

ARTS & CULTURE

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

\$20,000

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

\$5,000

Theatre Latte Da

Works to create new connections between story, music, artist and audience by exploring and expanding the art of musical theater

Project support for Steerage Song

\$5,000

Weisman Art Museum

Art museum

Project support for The Youth/Dhalinyarada

\$10,000

Summary of 2013 Grants:
SOCIAL EMPOWERMENT

AccessAbility

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

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

Banyan Community

Works in the Phillips neighborhood of Minneapolis to develop youth, strengthen families
and create community

Towards a \$45,000 pledge of capital support for Growing Responsibly—A Banyan Community
Capital Campaign

\$15,000

CAPI

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

Project support for the North/Northwest Hennepin Immigrant Initiative

\$15,000

Catholic Charities

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

Project support for the Refugee Resettlement program

\$7,000

Center for Victims of Torture

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

General operating support

\$15,000

Summary of 2013 Grants:

SOCIAL EMPOWERMENT (*cont.*)

CommonBond Communities

Provides affordable housing and services

Project support for Advantage Services for New Americans

\$12,500

Comunidades Latinas Unidas En Servicio (CLUES)

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

Project support for Navigators for Integrated Economic Advancement Services

\$10,000

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

\$10,000

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 Career Advancement Placement Program

\$15,000

Hope Community

Community development organization

General operating support

\$5,000

Summary of 2013 Grants:
SOCIAL EMPOWERMENT (*cont.*)

Karen Organization of Minnesota

Works to enhance the quality of life for refugees from Burma in Minnesota

Program support for the Restorative Farming Project

\$12,000

Latino Economic Development Center

Creates economic opportunities for Latinos

General operating support

\$10,000

Lifetrack

Works to develop the strengths within children, families and adults facing the greatest life challenges

Project support for Immigrant and Refugee Services

\$10,000

Lutheran Social Service of Minnesota

Social services provider

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

\$15,000

Lyndale Neighborhood Association

Brings people together to work on common issues and opportunities to ensure that all community members have the opportunity to live, work, and play in a safe, vibrant and sustainable community

Project support for the Women's Leadership Program

\$10,000

Microgrants

Provides grants to low-income individuals

In fulfillment of a \$30,000 pledge of general operating support

\$10,000

Minnesota Council of Nonprofits

Works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector

Project support for The New Communities Nonprofit Partnership

\$7,200

Summary of 2013 Grants:

SOCIAL EMPOWERMENT (*cont.*)

Minnesota Food Association

Works to increase the capacity of historically underserved farmers to develop and sustain their own farming enterprises

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

\$15,000

MORE Multicultural School for Empowerment

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

General operating support

\$10,000

Neighborhood Development Center

Empowers entrepreneurs and communities to transform their neighborhoods

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

\$15,000

Pillsbury United Communities

Provides neighborhood and family support services in Minneapolis

Project support for Sisterhood of the Traveling Scarf

\$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

RESOURCE

Empowers people to achieve greater personal, social and economic success

Project support for The West Side Employment Collaborative

\$10,000

Twin Cities Habitat for Humanity

Builds affordable homes

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

\$35,000

Summary of 2013 Grants:
SOCIAL EMPOWERMENT (*cont.*)

Vietnamese Social Services of MN

Works to maintain the identity of the Minnesota Vietnamese community while addressing the basic economic, educational and health needs of immigrants and refugees statewide

General operating support

\$15,000

Wellshare International

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

General operating support

\$12,000

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 2013 Grants:
FAMILY RECOMMENDED GRANTS

Abbott Northwestern Hospital Foundation

Raises, stewards and disburses funds for the benefit of Abbott Northwestern Hospital

General operating support

\$1,000

Action Works

An educational nonprofit for science, technology, engineering and mathematics (STEM)

General operating support

\$1,000

Amherst College

Private liberal arts college

General operating support

\$1,000

Summary of 2013 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Breck School

Private K-12 school

General operating support

\$2,000

The Cedar Cultural Center

Works to promote inter-cultural appreciation and understanding through the presentation of global music and dance

Support for the capital campaign

\$1,000

City House

Connects those on the margins of society, who might be homeless, in prison, or in recovery, with those in the mainstream of our society, for mutual listening, learning, and transformation

General operating support

\$1,000

Colorado Rocky Mountain School

Private high school

Support for The Nature Fund

\$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

Fools Production

Purpose is to produce bold new works that are a fusion between theater, magic and circus to delight, inspire and heal audiences from the drudgery of their daily lives

General operating support

\$2,500

Summary of 2013 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Friends of Surmang Foundation

Develops and supports the primary care programs of Surmang Charity Medical Center in China

General operating support

\$1,000

Friends' School

Private pre-K-5 school

General operating support

\$4,000

Global Site Performance

Goal is to use dance to transform the environment so that people experience it with renewed eyes and heart

General operating support

\$1,000

Growing Gardens

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

General operating support

\$1,000

Hazelden Foundation

Alcohol and drug addiction treatment center

Project support for the General Patient Aid Fund

\$2,000

High Mountain Institute

School that combines academics and the natural world

Support for financial aid

\$1,000

Hill Museum & Manuscript Library

Dedicated to preserving endangered or significant manuscripts

General operating support

\$1,000

Summary of 2013 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Hole in the Wall Gang Fund

Serves children and families coping with cancer and other life threatening diseases

General operating support

\$1,000

Horizon K-8 School

Private K-8 School

General operating support

\$1,000

Intellectual Takeout

Researches complex ideas and policy issues and make them digestible

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

\$1,000

Lake Country School

Private K-8 school

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

Mayo Clinic

Worldwide leader in medical care, research and education

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 2013 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Minneapolis Heart Institute Foundation

Supports education and research to prevent and eventually end heart disease

General operating support

\$1,000

Myotonic Dystrophy Foundation

Committed to enhancing the quality of life of people living with myotonic dystrophy, and maximizing efforts focused on treatments and a cure

General operating support

\$1,000

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

General operating support

\$1,000

Support for the student scholarship fund

\$2,000

New Roads School

Private K-12 school

General operating support

\$1,500

Open Eye Figure Theatre

Theatre in Minneapolis

General operating support

\$2,500

Pheasants Forever

Dedicated to the conservation of pheasants, quail and other wildlife

General operating support

\$3,000

Summary of 2013 Grants:

FAMILY RECOMMENDED GRANTS (*cont.*)

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

The Posse Foundation

Identifies public high school students with extraordinary academic and leadership potential who may be overlooked by traditional college selection processes; Posse places these students in supportive, multicultural teams, and Posse partner colleges and universities award Posse Scholars four-year, full-tuition leadership scholarships.

General operating support

\$1,000

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

\$1,500

Romero Institute

Policy research firm

General operating support

\$4,000

St. Anne's-Belfield School

Private pre-K-12 school

General operating support

\$3,000

Second Harvest Heartland

Hunger relief organization

General operating support

\$3,000

Summary of 2013 Grants:

FAMILY RECOMMENDED GRANTS (cont.)

Shambhala International Center

Part of an international community of Buddhist meditation and retreat centers

Support for The Legacy Project

\$2,000

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

\$2,000

University of Minnesota/College of Veterinary Medicine

Veterinary Medicine program at the University of Minnesota

Project support for Dr. K. Hwa Choi's work in complementary and alternative medicine

\$3,000

World Pulse

Global media and communication network devoted to bringing women a global voice

General operating support

\$1,000

Yale School of Management

Graduate business school of Yale University

Support for the capital campaign

\$3,000

Support for the Yale SOM Alumni Fund

\$3,000



Financial Statements
December 31, 2013 and 2012
Marbrook Foundation

Independent Auditor's Report.....	1
Financial Statements	
Statements of Assets and Principal Arising from Cash Transactions – Modified Cash Basis.....	3
Statements of Cash Receipts and Disbursements and Changes in Principal – Modified Cash Basis	4
Notes to Financial Statements.....	5



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, 2013 and 2012, 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, 2013 and 2012, 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 cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
October 10, 2014

Marbrook Foundation
Statements of Assets and Principal Arising from Cash Transactions – Modified Cash Basis
December 31, 2013 and 2012

	2013		2012	
	Market (unaudited)	Cost	Market (unaudited)	Cost
Assets				
Investments				
Equities	\$ 10,350,073	\$ 8,172,984	\$ 8,013,521	\$ 6,089,412
Fixed income investments (including corporate obligations, mutual funds, United States government and agency obligations)	3,132,980	3,204,878	3,116,895	3,010,903
Investment in limited liability companies	2,277,150	830,099	2,787,352	1,911,148
Investment in program related investments	150,000	150,000	150,000	150,000
Cash and cash equivalents	436,907	436,907	483,795	483,795
Total investments	<u>\$ 16,347,110</u>	<u>12,794,868</u>	<u>\$ 14,551,563</u>	<u>11,645,258</u>
Principal Arising from Cash Transactions		<u>\$ 12,794,868</u>		<u>\$ 11,645,258</u>

Marbrook Foundation

Statements of Cash Receipts and Disbursements and Changes in Principal – Modified Cash Basis
Years Ended December 31, 2013 and 2012

	2013	2012
Receipts		
Dividends	\$ 221,136	\$ 235,397
Interest	110,789	76,959
Net gain on sales of investments	1,871,105	202,912
Other portfolio income	840	3
	2,203,870	515,271
Disbursements		
Excise tax on net investment income	-	17,000
Income tax on unrelated business income tax	-	4,464
General and administrative expenses	187,307	123,773
Investment management and custodial fees	137,173	96,672
Other portfolio loss	18,080	11,934
Charitable contributions	711,700	700,000
	1,054,260	953,843
Total disbursements	1,054,260	953,843
Net change in principal for the year	1,149,610	(438,572)
Principal, Beginning of Year	11,645,258	12,083,830
Principal, End of Year	\$ 12,794,868	\$ 11,645,258

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. There are no unrecognized tax benefits as of December 31, 2013 and 2012. 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 2010 and state examinations for years before 2010.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported principal.

Subsequent Events

The Foundation has evaluated subsequent events through October 10, 2014, 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, 2013	<u>Cost</u>	<u>Market (unaudited)</u>
Fixed income obligations		
United States government and agency obligations	\$ 606,552	\$ 621,273
Corporate obligations	221,199	218,593
Municipal bonds	961,957	914,302
Trust preferreds	207,020	206,619
Mutual funds	1,208,150	1,172,193
	<u>\$ 3,204,878</u>	<u>\$ 3,132,980</u>
December 31, 2012	<u>Cost</u>	<u>Market (unaudited)</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 funds	1,161,845	1,146,735
	<u>\$ 3,010,903</u>	<u>\$ 3,116,895</u>

Note 4 - Investment in Limited Liability Companies

The Foundation invests in limited liability companies (LLCs). The LLCs are funds which invest in equity securities. As of December 31, 2013 and 2012, respectively, the Foundation has \$830,099 (market value (unaudited) \$2,277,150) and \$1,911,148 (market value (unaudited) \$2,787,352) invested in the LLCs. 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 these entities.

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, 2013 and 2012. The Foundation paid \$0 and \$17,000 in excise tax in 2013 and 2012, 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 \$0 and \$4,464 in unrelated business income tax in 2013 and 2012, respectively.

Note 8 - Commitments

At December 31, 2013, the Foundation has unpaid pledges for charitable contributions totaling \$96,000, payable over the next two years, and an aggregate total of \$116,000. The payments are expected as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2014	\$ 66,000
2015	30,000
2016	20,000
2017	-
2018	-
	<u>\$ 116,000</u>

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 \$130,951 and \$32,412 in related-party administrative costs and grant fees in 2013 and 2012, respectively. Beginning in late 2012, the Foundation's payroll was transitioned to Sawmill Private Management, Inc. and is now consequently reimbursed each month and included in the related party amounts.

The Foundation holds investments managed by Sawmill Trust Company, an affiliated entity. As of December 31, 2013, the Foundation has \$5,013,390 (market value (unaudited) \$5,129,099) of investments managed by Sawmill Trust Company. There were no investments managed by Sawmill Trust Company as of December 31, 2012. No management fees were charged to Marbrook Foundation during the years ended December 31, 2013 or 2012.

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 \$7,449 and \$7,412 for 2013 and 2012, respectively. The following is a schedule by year of future minimum lease payments required under the lease:

<u>Years Ending December 31,</u>	<u>Amount</u>
2014	\$ 4,355
2015	4,355
2016	4,355
2017	726
2018	-
	<u>\$ 13,791</u>