

Rochester Area Foundation and Affiliates

Consolidated Financial Report
December 31, 2010



McGladrey & Pullen, LLP
Certified Public Accountants

Rochester Area Foundation and Affiliates

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Independent Auditor's Report on the Financial Statements and Supplementary Information

To the Board of Trustees
Rochester Area Foundation and Affiliates
Rochester, Minnesota

We have audited the accompanying consolidated statements of financial position of the Rochester Area Foundation and Affiliates as of December 31, 2010 and 2009 and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Rochester Area Foundation and Affiliates as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Rochester, Minnesota
May 9, 2011

Consolidated Statements of Financial Position
December 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 2,589,553	\$ 1,351,371
Interest and dividends receivable	11,758	165,476
Pledges receivable (Note 4)	164,325	233,875
Notes receivable	6,879	5,422
Investments in marketable securities (Notes 2 and 3)	23,688,896	21,932,269
Beneficial interest in trusts held by others (Notes 6 and 9)	601,147	-
Loans receivable (Note 5)	2,176,342	2,048,307
Land and development costs	2,007,026	4,199,806
Equipment, net of accumulated depreciation of 2010 \$184,353; 2009 \$163,952	43,123	51,505
Other assets	70,010	71,318
Land held in community land trust	7,860,218	7,457,718
Total assets	\$ 39,219,277	\$ 37,517,067
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 47,523	\$ 42,476
Grants payable	69,320	133,165
Program assets held for others (Note 8)	926,144	791,127
Annuities payable	130,599	156,828
Deferred revenue	301,323	451,874
Unitrust obligations (Note 6)	678,000	696,000
Refundable advances	475,805	509,090
Note payable (Note 7)	3,091,501	2,437,954
Total liabilities	5,720,215	5,218,514
Commitments (Note 3)		
Net Assets (Notes 9 and 10)		
Unrestricted	20,155,255	19,526,304
Temporarily restricted	11,422,163	10,850,605
Permanently restricted	1,921,644	1,921,644
Total net assets	33,499,062	32,298,553
Total liabilities and net assets	\$ 39,219,277	\$ 37,517,067

See Notes to Consolidated Financial Statements.

Rochester Area Foundation and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenues:				
Foundation, corporations and individuals	\$ 1,388,688	\$ 992,768	\$ -	\$ 2,381,456
Grants	-	851,558	-	851,558
Investment gain (Note 3)	1,572,587	199,714	-	1,772,301
Loan discount accretion	-	90,396	-	90,396
Other	13,698	53,896	-	67,594
Change in value of split interest agreements	-	42,244	-	42,244
Net assets released from restriction	1,659,018	(1,659,018)	-	-
Total revenues and gains	4,633,991	571,558	-	5,205,549
Expenses:				
Programs:				
Grants	1,867,925	-	-	1,867,925
Philanthropic and special	115,310	-	-	115,310
First Homes	1,055,461	-	-	1,055,461
First Steps	294,411	-	-	294,411
Management and general	584,489	-	-	584,489
Fund-raising	87,444	-	-	87,444
Total expenses	4,005,040	-	-	4,005,040
Change in net assets	628,951	571,558	-	1,200,509
Net Assets:				
Beginning of year	19,526,304	10,850,605	1,921,644	32,298,553
End of year	\$ 20,155,255	\$ 11,422,163	\$ 1,921,644	\$ 33,499,062

See Notes to Consolidated Financial Statements.

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenues:				
Foundation, Corporations and Individuals	\$ 1,665,792	\$ 461,356	\$ -	\$ 2,127,148
Grants	-	276,943	-	276,943
Distributions from trusts held by others (Note 6)	-	-	-	-
Investment gain (Note 3)	2,928,096	166,303	-	3,094,399
Loan discount accretion	-	144,783	-	144,783
Other	3,163	79,936	-	83,099
Change in value of split interest agreements	-	56,583	-	56,583
Net assets released from restriction	1,109,318	(1,109,318)	-	-
Total revenues and gains	5,706,369	76,586	-	5,782,955
Expenses:				
Programs:				
Grants	1,470,713	-	-	1,470,713
Philanthropic and special	107,691	-	-	107,691
First Homes	479,578	-	-	479,578
First Steps	375,109	-	-	375,109
Management and general	574,997	-	-	574,997
Fund-raising	116,135	-	-	116,135
Total expenses	3,124,223	-	-	3,124,223
Change in net assets	2,582,146	76,586	-	2,658,732
Net Assets:				
Beginning of year	16,944,158	10,774,019	1,921,644	29,639,821
End of year	\$ 19,526,304	\$ 10,850,605	\$ 1,921,644	\$ 32,298,553

Rochester Area Foundation and Affiliates

**Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009**

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 1,200,509	\$ 2,658,732
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	20,401	19,982
Amortization of debt discount, net	3,547	52,795
Change in valuation allowance on loans and contributions	5,000	546,000
Grant revenue	(546,558)	(276,943)
Investment gains	(1,456,449)	(2,619,554)
Noncash donation of investments	(554,402)	(202,261)
Noncash donation of beneficial interest in trusts held by others	(601,147)	-
Noncash donation of land	-	(1,400,000)
Discount on loans receivable, net of accretion	40,000	(130,000)
Change in value of split interest agreements	(42,244)	(56,583)
Changes in assets and liabilities:		
(Increase) decrease in receivables	223,268	(205,888)
(Increase) decrease in other assets	1,308	(10,450)
Decrease in payables and accrued expenses	(85,027)	(253,074)
Decrease in unitrust obligations	24,244	96,583
Change in refundable advances and program assets held for others	101,732	823,400
Net cash used in operating activities	(1,665,818)	(957,261)
Cash Flows From Investing Activities		
Repayments on notes receivable	83,002	115,937
Issue of notes receivable	(18,094)	(2,869)
Purchase of equipment	(12,019)	(34,079)
Land and development acquisition costs	(2,281,259)	(1,824,245)
Proceeds from developed properties	4,469,039	681,092
Purchase of land held in community land trust	(402,500)	(103,555)
Net increase in loans receivable	(234,400)	(21,800)
Proceeds from sale and maturities of investment securities	3,432,017	1,340,669
Purchase of investment securities	(3,177,793)	(1,129,364)
Net cash provided by (used in) investing activities	1,857,993	(978,214)
Cash Flows From Financing Activities		
Grant proceeds	396,007	366,327
Principal payments of notes payable	(687,754)	-
Proceeds from issuance of notes payable	1,337,754	560,000
Net cash provided by financing activities	1,046,007	926,327
Net increase (decrease) in cash and cash equivalents	1,238,182	(1,009,148)
Cash and cash equivalents		
Beginning	1,351,371	2,360,519
Ending	\$ 2,589,553	\$ 1,351,371

See Notes to Consolidated Financial Statements

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: The Rochester Area Foundation, First Homes Properties, First Steps in Education (First Steps) and RAF Properties (collectively referred to as Foundation) are nonprofit corporations organized under the laws of the State of Minnesota. The Rochester Area Foundation is organized for the purpose of establishing, aiding and promoting activities of a social, moral, educational, and religious nature in the Rochester and Olmsted County areas of southeastern Minnesota. First Homes Properties is organized for the purpose of providing opportunities and services for low and moderate income households in various Southeast Minnesota counties to secure decent and affordable housing. First Steps is organized for the purpose of ensuring that the Rochester communities' children are ready for school when they enter kindergarten. RAF Properties is organized to receive, hold, administer, and disburse any real property received as a gift, devise, bequest, or otherwise for the benefit of Rochester Area Foundation.

Major sources of revenue include investment income, contributions, and grant revenue. Contribution revenue can vary significantly between years as large contributions are generally made by donors on a one-time basis. The entities are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Principles of consolidation: The accompanying consolidated financial statements include the activities of Rochester Area Foundation, First Homes Properties, First Steps and RAF Properties. Rochester Area Foundation is the sole member of First Homes Properties, First Steps and RAF Properties. All material inter-company balances and transactions have been eliminated in preparation of the consolidated financial statements.

Presentation: Unrestricted net assets are those funds presently available for use by or on behalf of the Foundation including amounts available for management and general expenses. These unrestricted net assets may also include board-designated amounts. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Foundation. These are primarily contributions that are time restricted for charitable remainder trust/unitrust obligations or purpose restricted for certain projects. Permanently restricted net assets are contributions that have donor imposed restrictions whereby the amount of the gift is to be held in perpetuity and only the income generated can be used as stipulated by the donor.

Concentration of credit risk: Most of the Foundation's activities, particularly First Homes Properties, are with beneficiaries in Southeast Minnesota. Note 5 discusses the types of lending the Foundation engages in. A substantial portion of the Foundation's beneficiaries' abilities to honor their contracts is dependent on the business economy in Rochester, Minnesota and surrounding communities.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Receivables: Receivables that are expected to be collected within one year are recorded at net realizable value. Amounts not expected to be collected within one year are reported at present value of projected future cash flows. Management determines bad debts by regularly evaluating individual pledge receivables and considers a donor's financial condition and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of pledge receivables previously written off are recorded when received.

Notes receivable: The Foundation receives promissory notes in connection with sales of residential real estate lots from a not-for-profit foundation (NPO). These lots have been developed on land owned by the Foundation. The NPO builds a home and markets the property for sale. If the purchaser of the property is eligible for participation in the First Homes program, the Foundation will collect the note plus interest and reinvest those funds as a mortgage loan or community land trust. As lots are sold, any gain or loss is recognized in the statement of activities.

Investments: Donated real property is initially stated at fair value based on appraisal at the date of donation. Investments in marketable equity and debt securities are stated at fair value based on quoted market prices or valued based on models using observable inputs. Investments in hedge funds and real estate investment trusts (alternative investments) are stated at estimated fair value based on values reported by fund managers, audited financial statements of the funds and third party valuation estimates. An investment advisor recommends the purchase of securities based on investment guidelines established by the Foundation. Investment income includes dividends and interest which are recognized when earned, realized gains and losses recognized upon sale using specific identification method and unrealized gains/losses recognized for change in fair value between reporting dates. Investment income is included in the change in unrestricted net assets unless the income is restricted by donor or law. Gains and losses from the sale of securities and unrealized appreciation or depreciation in investments are allocated to net asset components in the same manner as interest and dividends.

Loans receivable: The Foundation originates subordinated mortgage loans at advantageous rates to developers and families in Southeast Minnesota to increase affordable multi-family and single-family housing. No payments are required until the mortgage due date (usually 30 years) or when the home is sold, whichever occurs first. Loans receivable are initially reported at estimated fair value determined by discounting projected cash flows using an imputed interest rate and estimated loan payoff date. The initial discount is recorded as a program expense. Accretion of the discount is reported as revenue. Management provides a provision for loan losses based on their current judgment about the credit quality of the loan portfolio and considers all known relevant internal and external factors that affect collectability as of the reporting date. Management has determined that no allowance is required at December 31, 2010 and 2009.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: Certain assets and liabilities are disclosed at fair value in the consolidated financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for additional information with respect to fair value measurements.

Land and development costs: The Foundation has acquired homes and land and is developing or rehabilitating these properties for the purchase, sale, and repurchase of housing and other structural improvements. Real estate properties held for sale are carried at the lower of cost, including cost of improvements and amenities incurred subsequent to acquisition, or fair value less cost to sell. Project costs associated with the acquisition, development and construction are capitalized.

Land held in community land trust (CLT): The Foundation purchases land for homes purchased through the CLT, enters into a 99-year lease with the homeowner and receives title to the land. Certain municipalities in Southeast Minnesota also participate by providing tax increment financing (TIF). TIF contributions related to CLT are capitalized at fair value and reported as revenue by the Foundation. CLT is stated at cost plus fair value of TIF contribution, and is evaluated whenever events or changes in circumstances indicate the potential for impairment.

Equipment: Purchased items are capitalized at cost. Donated items are recorded at fair value at the time of donation. Depreciation is provided over useful lives ranging from 3 to 7 years.

Operating lease: The Foundation leases office space pursuant to a noncancellable operating lease. The lease agreement, which expires in 2012, requires a minimum monthly payment of \$5,535, which includes payment of real estate taxes and operating expenses. Future minimum commitment under this lease is \$66,420 in fiscal year 2011 and \$49,815 in 2012. Rental expense related to this operating lease as of December 31, 2010 and 2009 was \$66,420 and \$16,605 respectively.

Annuities payable and unitrust obligations: Represents the estimated obligation for future payments under charitable gift annuities and various charitable remainder trusts. The initial obligations are calculated based on the present value of expected payments over the life expectancies of the beneficiaries, discounted based on 120% of the AFR rate at the date of donation as an approximation of fair value.

Beneficial interest in trusts held by others: Funds held in trust by others represent resources neither in the possession nor under the control of the Foundation, but held and administered by outside fiscal agents, with the Foundation deriving income from such funds and are reported at fair value.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions: The Foundation reports contributions at fair value when received or unconditionally pledged as unrestricted support unless specifically restricted by the donor. For donor agreements involving a third party, contributions are reported as unrestricted if the donor agreement includes a variance provision giving the Board of Trustees the power to vary the use of funds. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When donor restrictions expire, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions. If the restriction is met in the period the related revenue is recognized, amounts are reported as unrestricted activity. Contribution support for split interest agreements is recognized at fair value at the date of the gift, calculated at present value of future estimated value. Contributions from municipalities in the form of tax increment financing (TIF) are recognized as revenue when an eligible mortgage is originated or purchase of eligible land via community land trust. Conditional contributions are recognized when the condition has been met.

Grant revenue: Revenue from grants provided primarily by Minnesota Housing Finance Agency (MHFA), is recognized as single-family mortgage (gap) loans are originated. Cash received less gap loans made and certain CLTs awarded are reported as deferred revenue.

Grant expense: Grants to beneficiaries are expensed upon approval of the Board of Trustees.

Refundable advances: Amounts received by the Foundation that do not meet the requirements for recognition as contribution revenue are reported as a liability to the resource provider.

Retirement benefits: The Foundation provides retirement benefits to eligible employees through salary reduction plan as permitted under Section 403(b) of the Internal Revenue Code. The Foundation contributes 5% of the employee's salary through a Simplified Employee Pension Plan. The Foundation contributed \$18,448 and \$19,925 for the years ending December 31, 2010 and 2009, respectively.

Use of estimates: In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change in the near term are the allowance for doubtful pledges, valuation of alternative investments, factors that impact the determination of unitrust obligations, discount on loans receivable and impairments of community land trust.

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that no significant uncertain tax positions have been taken in its tax returns.

At December 31, 2010 generally, the federal and Minnesota tax returns for the Foundation are open for examination by taxing authorities for the years 2007 to 2009. At December 31, 2010, the Foundation did not record any liabilities for uncertain tax positions.

Subsequent events: The Foundation has evaluated events and transactions occurring subsequent to December 31, 2010 through May 9, 2011, the date the financial statements were available for issue. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure subsequent to year end.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements

The Foundation holds certain financial instruments that are required to be measured at fair value on a recurring basis. The valuation techniques used to measure fair value under the Fair Value Measurements and Disclosures Topic of FASB ASC 820 are based upon observable and unobservable inputs. The standard establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets subject to the recurring fair value measurements described above included in the consolidated statements of financial position at December 31, 2010 and 2009 are summarized as follows:

	2010			Total Fair Value
	Level 1	Level 2	Level 3	
Investments in Securities				
Fixed income securities				
Government Obligations	\$ -	\$ 591,447	\$ -	\$ 591,447
Corporate Obligations	-	774,891	-	774,891
Mutual funds				
Blended equity income	2,297,905	-	-	2,297,905
Domestic corporate obligations	3,441,047	-	-	3,441,047
Domestic equity - small/mid cap	81,041	-	-	81,041
Domestic equity - large cap	965,819	-	-	965,819
Domestic equity sectors	54,579	-	-	54,579
International corporate obligations	283,474	-	-	283,474
International equity	2,396,972	-	-	2,396,972
Common Stocks	3,861,276	-	-	3,861,276
Alternative investments				
Hedge funds	-	-	2,613,491	2,613,491
Real estate and natural resource funds	-	-	1,040,805	1,040,805
Private equity	-	-	5,286,149	5,286,149
Total	\$ 13,382,113	\$ 1,366,338	\$ 8,940,445	\$ 23,688,896

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

	2009			Total Fair Value
	Level 1	Level 2	Level 3	
Investments in Securities				
Fixed income securities				
Government Obligations	\$ -	\$ 899,360	\$ -	\$ 899,360
Corporate Obligations	-	1,095,706	-	1,095,706
Mutual funds				
Domestic corporate obligations	1,712,402	-	-	1,712,402
Domestic equity - small/mid cap	2,100,058	-	-	2,100,058
Domestic equity - large cap	4,618,208	-	-	4,618,208
Domestic equity sectors	1,147,785	-	-	1,147,785
International corporate obligations	2,473,066	-	-	2,473,066
International equity	6,142,901	-	-	6,142,901
Alternative investments				
Hedge funds	-	-	921,499	921,499
Real estate and natural resource funds	-	-	821,284	821,284
Total	\$ 18,194,420	\$ 1,995,066	\$ 1,742,783	\$ 21,932,269

Following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value.

- Fair value for level 1 is based upon quoted market prices.
- Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.
- Level 3, which consists of alternative investments (principally limited partnership interests in private equity, hedge, real estate, and natural resources funds), represents the Foundation's ownership interest in the net asset value (NAV) of the respective investment. Investments held by the partnerships consist of marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities held by the limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on a variety of inputs, including: historical cost, independent external valuations from specialists such as actuaries, appraisers, and engineers, comparison to publicly traded comparables, pricing used in the most recent secondary transaction or financing, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the statement of investments classified by the Foundation within Level 3 of the valuation hierarchy defined above:

	2010			
	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Total
Fair value January 1, 2010	\$ 921,499	\$ 821,284	\$ -	\$ 1,742,783
Purchases, issuances, and capital calls, net	1,750,000	213,187	5,064,570	7,027,757
Disposition of Investments	(250,061)	-	-	(250,061)
Market value change	192,053	6,334	221,579	419,966
Fair value December 31, 2010	<u>\$ 2,613,491</u>	<u>\$ 1,040,805</u>	<u>\$ 5,286,149</u>	<u>\$ 8,940,445</u>

Unrealized gains/(losses) related to financial instruments held at December 31, 2010, and included in the statement of activities

<u>\$ (163,784)</u>	<u>\$ (1,373,089)</u>	<u>\$ 220,579</u>	<u>\$ (1,316,294)</u>
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	2009			
	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Total
Fair value January 1, 2009	\$ 817,545	\$ 1,377,914	\$ -	\$ 2,195,459
Purchases, issuances, and capital calls, net	-	119,491	-	119,491
Disposition of Investments	-	-	-	-
Market value change	103,954	(676,121)	-	(572,167)
Fair value December 31, 2009	<u>\$ 921,499</u>	<u>\$ 821,284</u>	<u>\$ -</u>	<u>\$ 1,742,783</u>

Unrealized gains/(losses) related to financial instruments held at December 31, 2009, and included in the statement of activities

<u>\$ (78,501)</u>	<u>\$ (1,379,423)</u>	<u>\$ -</u>	<u>\$ (1,457,924)</u>
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Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

The following information pertains to those alternative investments recorded at net asset value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB ASC.

	2010			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Alternative investments				
Hedge funds (a)	\$ 2,613,491	\$ -	Monthly, quarterly	1 to 120 days
Real estate and natural resource funds (b)	1,040,805	529,025	Not available	Upon liquidation
Private equity (b)	5,286,149	-	Quarterly	60 days
	<u>\$ 8,940,445</u>	<u>\$ 529,025</u>		

(a) This category includes investments in absolute return/hedge funds, which are actively managed commingled investment vehicles that derive the majority of their returns from factors other than the directional flow of the markets in which they invest. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Investments in this category generally carry "lock-up" restrictions that do not allow investors to seek redemption in the first year after acquisition. Following the initial lock-up period, liquidity is generally available monthly, quarterly, or annually following a redemption request. Over 70 percent of the investments in this category have at least monthly liquidity.

(b) This category includes limited partnership interests in closed-end funds that focus on private equity, real estate, and resource-related strategies. The fair values of the investments in these categories have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of most funds will generally be liquidated over a 5 to 7 year period. These alternative investments are non-marketable, and, although a secondary market exists for non-marketable investments, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported net asset value. Therefore, if the redemption rights in the funds were restricted or eliminated and the Foundation was to sell these investments in the secondary market, it is reasonably possible that a buyer in the secondary market may require a discount to the reported net asset value, and the discount could be significant.

The Foundation uses various external investment managers to diversify the investments in alternative assets. The largest allocation to any alternative investment strategy manager as of December 31, 2010 and 2009 is \$5,221,579 and \$921,499 respectively.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments (Continued)

At December 31, 2010 and 2009, the Foundation, as trustee, holds Charitable Remainder Trust/Unitrusts totaling approximately \$1,016,518 and \$992,272, respectively that are included in investments.

Reconciliation of investment income (loss) for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Interest and dividends	\$ 464,641	\$ 559,247
Net gains (losses)	1,363,424	2,619,554
Investment fees	(55,764)	(84,402)
	<u>\$ 1,772,301</u>	<u>\$ 3,094,399</u>

Note 4. Pledges Receivable

Pledges receivable are scheduled to be received as follows:

	Endowment	First Steps	Total
2011	\$ 48,125	\$ 61,200	\$ 109,325
2012	10,000	25,000	35,000
2013	10,000	-	10,000
2014	10,000	-	10,000
	<u>\$ 78,125</u>	<u>\$ 86,200</u>	<u>\$ 164,325</u>

Note 5. Loans Receivable

First Homes originates subordinated mortgage loans for single-family (gap) and multi-family development housing. Single-family mortgage loans earn simple interest of 0% to 2% when the mortgage is repaid to the Foundation. The Foundation has estimated that single-family loans will be repaid in ten years on average and total projected cash flows are discounted over that period. Multi-family development loans do not earn interest and are discounted over the term of the primary mortgage that ranges from 20 to 40 years. Single-family loans are discounted using rates consistent with Federal Home Administration (FHA) mortgage rates in effect when the mortgage is issued, currently approximately 6.0%. Multi-family loans are discounted using rates consistent with the underlying primary mortgage of the development or the effective yield of underlying bonds issued if no primary mortgage exists; these rates range from 4.7% to 7.6%.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 5. Loans Receivable (Continued)

The Foundation administers \$2.5 million committed by the Greater Minnesota Housing Foundation (GMHF) to provide funding for single-family gap loans for households in Southeast Minnesota. The Foundation does not report loans funded by GMHF within its financial statements as the mortgage is held by GMHF.

A summary of loans receivable follows:

	December 31,	
	2010	2009
Multi-family loans	\$ 2,911,200	\$ 2,831,200
Single-family loans	1,555,142	1,467,107
Less discount	(2,290,000)	(2,250,000)
Loans receivable, net	<u>\$ 2,176,342</u>	<u>\$ 2,048,307</u>

No loans were identified as impaired at December 31, 2010 and 2009.

Note 6. Split Interest Agreements

Charitable remainder unitrusts: The Foundation is a recipient and Trustee of four Charitable Remainder Unitrusts. The agreements require the Foundation pay beneficiaries, on a quarterly basis, returns ranging from 5.0% to 7.5% of the trust assets fair value, determined as of each January 1. A liability has been recorded based on current annual required payments using current life expectancies of the beneficiaries and discount factors of 5.0% to 7.5%. Upon death of the beneficiaries and/or termination of the unitrusts, any remaining assets revert to the Foundation.

Beneficial interest in trusts held by others – charitable lead trusts: In December 2010 three irrevocable charitable lead trusts were established for the benefit of the Foundation. Under the terms of the trust agreements, the Foundation will receive an annuity equal to a percentage of the fair value of the trusts as of an annual valuation date. Annuity payments will be made for a term of 15 years for one trust, 20 years for another, and the third is estimated to be over 18 years. Distributions from the three trusts are discounted at rates between 4.75% and 5.25%, and are expected to be realized in the following periods:

2011	\$ 53,235
2012 - 2016	264,687
2017 - 2021	263,996
2022 - 2026	251,850
Thereafter	100,406
	<u>934,174</u>
Less: present value discount	333,027
	<u>\$ 601,147</u>

During the year ended December 31, 2010, the Foundation received distributions of \$58,089 from these trusts.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7. Notes Payable

The Foundation obtained funding from the Greater Minnesota Housing Fund to begin a revolving loan fund to be used to pay costs in connection with the acquisition, construction, and/or rehabilitation of existing homes in the vicinity of Rochester, Minnesota. The funding from Wells Fargo was used for the First Homes Program.

Notes payable are as follows at December 31, 2010 and 2009:

	2010	2009
Greater Minnesota Housing Fund, 4% simple interest rate, annual interest payments only until May 2012, when balance is due in full. Secured by the individual loans disbursed.	\$ 600,000	\$ 600,000
Greater Minnesota Housing Fund, 4% simple interest rate, quarterly interest payments only until October 2011, when balance is due in full. Secured by the individual loans disbursed.	687,754	687,754
Wells Fargo, 2% interest, interest payments only until January 2012, when balance is due in full. Secured by the individual loans disbursed.	625,000	625,000
Greater Minnesota Housing Fund, 4% simple interest rate, annual interest payments only until May 2012, when balance is due in full. Secured by the individual loans disbursed.	560,000	560,000
Greater Minnesota Housing Fund, 4% simple interest rate, annual interest payments only until April 2013, when balance is due in full. Secured by the individual loans disbursed.	650,000	-
Discount	(31,253)	(34,800)
	<u>\$ 3,091,501</u>	<u>\$ 2,437,954</u>

Certain of the notes payable above have been discounted based on the terms of the notes in relation to the notes market value. The discount is being amortized using the interest method over the term of the respective note.

Five year maturities are as follows:

2011	\$ 610,378
2012	1,815,317
2013	665,806
	<u>\$ 3,091,501</u>

The Foundation entered into a \$700,000 Line of credit agreement with Wells Fargo during 2010 to be used for First Homes operating expenses. No draws were outstanding at December 31, 2010. The line is collateralized by investments held at the bank. Interest on the line is to be paid at the Prime Rate plus 1.0%.

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Program Assets Held for Others

First Homes and the City of Rochester, Minnesota (the City) were notified by the Minnesota Housing Finance Agency that the City would be the recipient of up to \$2 million in Neighborhood Stabilization Program (NSP) grant funds. The City Council executed an agreement with First Homes to implement the NSP grant program on behalf of the City. The funds will be primarily used by First Homes to purchase and rehabilitate foreclosed homes in NSP targeted areas, and resold to income-qualified individuals through the year 2013.

Upon purchase and renovation of property that is designated as eligible for the NSP funds, an asset is recorded by First Homes, and reimbursement for costs expended is requested from the City. Upon reimbursement from the City, the amount received is recorded by First Homes as a program payable to the City, as these funds are returned to the City upon project sale, and reinvested into the program for similar future projects. First homes receives marketing and developing fee for completed projects. Fees earned in 2010 and 2009 were \$118,000 and \$6,000, respectively. The program also contributes to a portion of the value added to the Community Land Trust (CLT). NSP funds used for CLT expansion in 2010 and 2009 were \$187,000 and \$10,000, respectively. At December 31, 2010 First Homes has invested \$1,318,600 in these projects, including \$392,500 from other funding sources, which is included in the balance of land and development costs.

Note 9. Net Assets

Unrestricted net assets are held with the following Board designations as of December 31, 2010 and 2009:

	2010	2009
Board designated	\$ 16,829	\$ 16,692
Donor designated	336,919	288,309
Donor advised	9,581,195	9,226,845
Agency endowment	4,515,857	4,401,555
Field of interest	825,849	625,799
Undesignated	4,878,606	4,967,104
	<u>\$ 20,155,255</u>	<u>\$ 19,526,304</u>

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 9. Net Assets (Continued)

Temporarily restricted net assets are restricted for the following purposes at December 31, 2010 and 2009:

	2010	2009
Time restricted based on life expectancy of donors		
Charitable remainder unitrust	\$ 191,903	\$ 146,040
Charitable remainder trust	146,610	134,230
Charitable gift annuity	295,856	308,277
Charitable lead trust	601,147	-
Purpose restricted		
Endowment earnings for community improvements	236,678	123,939
First Homes	9,067,196	9,235,755
First Steps	(17,888)	64,316
Pre-school children	522,487	486,619
Higher learning	18,654	16,697
Disabled individuals	359,520	334,732
	<u>\$ 11,422,163</u>	<u>\$ 10,850,605</u>

Permanently restricted net assets of which investment income is available for the following purposes at December 31, 2010 and 2009 is as follows:

	2010	2009
Scholarships	\$ 10,000	\$ 10,000
Higher learning	10,000	10,000
Rochester community	1,426,644	1,426,644
Operating endowment	475,000	475,000
	<u>\$ 1,921,644</u>	<u>\$ 1,921,644</u>

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 10. Endowment

The Foundation's endowment consists of approximately 190 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with the SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in endowment net assets for the year ended December 31, 2010 and 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2008	\$ 8,965,648	\$ 816,948	\$ 1,921,644	\$ 11,704,240
Investment return, investment change	2,029,713	144,939	-	2,174,652
Contributions	151,246	100	-	151,346
Appropriation of endowment funds (Net of fees and reimbursements)	(847,148)	-	-	(847,148)
Balance, December 31, 2009	10,299,459	961,987	1,921,644	13,183,090
Investment return, investment change	809,073	175,252	-	984,325
Contributions	365,918	100	-	366,018
Appropriation of endowment funds (Net of fees and reimbursements)	(900,390)	-	-	(900,390)
Balance, December 31, 2010	\$ 10,574,060	\$ 1,137,339	\$ 1,921,644	\$ 13,633,043

Rochester Area Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 10. Endowment (Continued)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that purposes to achieve a total return equivalent to or greater than the Foundation's financial requirements and long-term objectives. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 11. Issued But Not Effective Accounting Pronouncements

The following accounting pronouncements have been issued but are not yet effective. Management has not determined what effect, if any, they will have on the financial statements.

In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This ASU requires expanded disclosures about the credit quality of an entity's loan, lease and other financing receivables and its related allowance for credit losses. The amended guidance is effective for the Foundation on January 1, 2011. Management is currently evaluating these standards and does not expect any material effect on the consolidated financial statements.

Rochester Area Foundation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2010**

Assets	Endowment	First Steps	First Homes Properties
Cash and cash equivalents	\$ 1,133,419	\$ 79,871	\$ 1,376,263
Interest and dividends receivable	11,758	-	-
Pledges receivable	78,125	86,200	-
Notes receivable	-	-	6,879
Due from affiliates	226,517	-	-
Investments in marketable securities	23,688,896	-	-
Beneficial interest in trusts held by others	601,147	-	-
Loans receivable	-	-	2,176,342
Land and development costs	-	-	2,007,026
Equipment, net of accumulated depreciation	40,220	29	2,874
Other assets	41,976	-	28,034
Land held in community land trust	-	-	7,860,218
Total assets	\$ 25,822,058	\$ 166,100	\$ 13,457,636
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 18,580	\$ 13,908	\$ 15,035
Grants payable	69,320	-	-
Program assets held for others	-	-	926,144
Annuities payable	130,599	-	-
Deferred revenue	-	-	301,323
Unitrust obligations	678,000	-	-
Refundable advances	475,805	-	-
Note payable	-	-	3,091,501
Due to Rochester Area Foundation	-	170,080	56,437
Total liabilities	1,372,304	183,988	4,390,440
Net Assets			
Unrestricted	20,155,255	-	-
Temporarily restricted	2,372,855	(17,888)	9,067,196
Permanently restricted	1,921,644	-	-
Total net assets	24,449,754	(17,888)	9,067,196
Total liabilities and net assets	\$ 25,822,058	\$ 166,100	\$ 13,457,636

RAF		Consolidated	
Properties	Total	Eliminations	Total
\$ -	\$ 2,589,553	\$ -	\$ 2,589,553
-	11,758	-	11,758
-	164,325	-	164,325
-	6,879	-	6,879
-	226,517	(226,517)	-
-	23,688,896	-	23,688,896
-	601,147	-	601,147
-	2,176,342	-	2,176,342
-	2,007,026	-	2,007,026
-	43,123	-	43,123
-	70,010	-	70,010
-	7,860,218	-	7,860,218
\$ -	\$ 39,445,794	\$ (226,517)	\$ 39,219,277

\$ -	\$ 47,523	\$ -	\$ 47,523
-	69,320	-	69,320
-	926,144	-	926,144
-	130,599	-	130,599
-	301,323	-	301,323
-	678,000	-	678,000
-	475,805	-	475,805
-	3,091,501	-	3,091,501
-	226,517	(226,517)	-
-	5,946,732	(226,517)	5,720,215

-	20,155,255	-	20,155,255
-	11,422,163	-	11,422,163
-	1,921,644	-	1,921,644
-	33,499,062	-	33,499,062
\$ -	\$ 39,445,794	\$ (226,517)	\$ 39,219,277

Rochester Area Foundation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2009**

Assets	Endowment	First Steps	First Homes Properties
Cash and cash equivalents	\$ 826,495	\$ 36,171	\$ 488,705
Interest and dividends receivable	15,124	-	150,352
Pledges receivable	832,575	161,300	-
Notes receivable	-	-	5,422
Due from affiliates	805,714	-	-
Investments in marketable securities	21,932,269	-	-
Beneficial interest in trusts held by others	-	-	-
Loans receivable	-	-	2,048,307
Land and development costs	-	-	3,439,806
Equipment, net of accumulated depreciation	41,144	5,438	4,923
Other assets	59,313	-	12,005
Land held in community land trust	-	-	7,457,718
Total assets	\$ 24,512,634	\$ 202,909	\$ 13,607,238
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 19,069	\$ 400	\$ 23,007
Grants payable	133,165	-	-
Program assets held for others	-	-	791,127
Annuities payable	156,828	-	-
Deferred revenue	-	15,027	436,847
Unitrust obligations	696,000	-	-
Refundable advances	509,090	-	-
Note payable	-	-	2,437,954
Due to Rochester Area Foundation	-	123,166	682,548
Total liabilities	1,514,152	138,593	4,371,483
Net Assets			
Unrestricted	19,526,304	-	-
Temporarily restricted	1,550,534	64,316	9,235,755
Permanently restricted	1,921,644	-	-
Total net assets	22,998,482	64,316	9,235,755
Total liabilities and net assets	\$ 24,512,634	\$ 202,909	\$ 13,607,238

RAF		Consolidated	
Properties	Total	Eliminations	Total
\$ -	\$ 1,351,371	\$ -	\$ 1,351,371
-	165,476	-	165,476
-	993,875	(760,000)	233,875
-	5,422	-	5,422
-	805,714	(805,714)	-
-	21,932,269	-	21,932,269
-	-	-	-
-	2,048,307	-	2,048,307
760,000	4,199,806	-	4,199,806
-	51,505	-	51,505
-	71,318	-	71,318
-	7,457,718	-	7,457,718
<u>\$ 760,000</u>	<u>\$ 39,082,781</u>	<u>\$ (1,565,714)</u>	<u>\$ 37,517,067</u>

\$ 760,000	\$ 802,476	\$ (760,000)	\$ 42,476
-	133,165	-	133,165
-	791,127	-	791,127
-	156,828	-	156,828
-	451,874	-	451,874
-	696,000	-	696,000
-	509,090	-	509,090
-	2,437,954	-	2,437,954
-	805,714	(805,714)	-
<u>760,000</u>	<u>6,784,228</u>	<u>(1,565,714)</u>	<u>5,218,514</u>

-	19,526,304	-	19,526,304
-	10,850,605	-	10,850,605
-	1,921,644	-	1,921,644
-	32,298,553	-	32,298,553
<u>\$ 760,000</u>	<u>\$ 39,082,781</u>	<u>\$ (1,565,714)</u>	<u>\$ 37,517,067</u>

Rochester Area Foundation and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2010

	Endowment	First Steps	First Homes Properties
Changes in unrestricted net assets:			
Public support and revenues:			
Contributions	\$ 1,388,688	\$ -	\$ -
Investment gain	1,572,587	-	-
Other revenue	13,698	-	-
Net assets released from restriction	75,624	369,710	1,367,184
Total unrestricted public support and revenues	3,050,597	369,710	1,367,184
Expenses:			
Programs:			
Grants	2,021,425	-	-
Philanthropic and special	115,310	-	-
First Homes	-	-	1,055,461
First Steps	-	294,411	-
Management and general	206,614	73,926	303,949
Fund-raising	78,297	1,373	7,774
Total expenses	2,421,646	369,710	1,367,184
Change in unrestricted net assets	628,951	-	-
Changes in temporarily restricted net assets:			
Contributions	659,335	271,284	215,649
Grants	-	15,027	836,531
Loan discount accretion	-	-	90,396
Other revenue	-	1,195	52,701
Investment gain	196,366	-	3,348
Change in value of split interest agreements	42,244	-	-
Net assets released from restrictions	(75,624)	(369,710)	(1,367,184)
Change in temporarily restricted net assets	822,321	(82,204)	(168,559)
Changes in permanently restricted net assets:			
Contribution revenue	-	-	-
Change in permanently restricted net assets	-	-	-
Change in net assets	1,451,272	(82,204)	(168,559)
Net assets, beginning	22,998,482	64,316	9,235,755
Net assets, ending	\$ 24,449,754	\$ (17,888)	\$ 9,067,196

	RAF			Consolidated	
	Properties	Total	Eliminations	Total	
\$	-	\$ 1,388,688	\$ -	\$ 1,388,688	
	-	1,572,587	-	1,572,587	
	-	13,698	-	13,698	
	-	1,812,518	(153,500)	1,659,018	
	-	4,787,491	(153,500)	4,633,991	
	-	2,021,425	(153,500)	1,867,925	
	-	115,310	-	115,310	
	-	1,055,461	-	1,055,461	
	-	294,411	-	294,411	
	-	584,489	-	584,489	
	-	87,444	-	87,444	
	-	4,158,540	(153,500)	4,005,040	
	-	628,951	-	628,951	
	-	1,146,268	(153,500)	992,768	
	-	851,558	-	851,558	
	-	90,396	-	90,396	
	-	53,896	-	53,896	
	-	199,714	-	199,714	
	-	42,244	-	42,244	
	-	(1,812,518)	153,500	(1,659,018)	
	-	571,558	-	571,558	
	-	-	-	-	
	-	-	-	-	
	-	1,200,509	-	1,200,509	
	-	32,298,553	-	32,298,553	
\$	-	\$ 33,499,062	\$ -	\$ 33,499,062	

Rochester Area Foundation and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2009

	Endowment	First Steps	First Homes Properties
Changes in unrestricted net assets:			
Public support and revenues:			
Contributions	\$ 1,665,767	\$ -	\$ -
Investment gain	2,928,096	-	-
Other revenue	3,163	-	-
Net assets released from restriction	41,847	486,061	714,410
Total unrestricted public support and revenues	4,638,873	486,061	714,410
Expenses:			
Programs:			
Grants	1,603,713	-	-
Philanthropic and special	107,691	-	-
First Homes	-	-	479,578
First Steps	-	375,109	-
Management and general	243,928	105,412	225,632
Fund-raising	101,395	5,540	9,200
Total expenses	2,056,727	486,061	714,410
Change in unrestricted net assets	2,582,146	-	-
Changes in temporarily restricted net assets:			
Contributions	71,863	326,179	196,314
Grants	-	166,943	110,000
Loan discount accretion	-	-	144,783
Other revenue	-	4,135	75,801
Investment gain (loss)	164,469	-	1,834
Change in value of split interest agreements	56,583	-	-
Net assets released from restrictions	(41,847)	(486,061)	(714,410)
Change in temporarily restricted net assets	251,068	11,196	(185,678)
Changes in permanently restricted net assets:			
Contribution revenue	-	-	-
Change in permanently restricted net assets	-	-	-
Change in net assets	2,833,214	11,196	(185,678)
Net assets, beginning	20,165,268	53,120	9,421,433
Net assets, ending	\$ 22,998,482	\$ 64,316	\$ 9,235,755

RAF		Consolidated	
Properties	Total	Eliminations	Total
\$ 760,025	\$ 2,425,792	\$ (760,000)	\$ 1,665,792
-	2,928,096	-	2,928,096
-	3,163	-	3,163
-	1,242,318	(133,000)	1,109,318
760,025	6,599,369	(893,000)	5,706,369
760,000	2,363,713	(893,000)	1,470,713
-	107,691	-	107,691
-	479,578	-	479,578
-	375,109	-	375,109
25	574,997	-	574,997
-	116,135	-	116,135
760,025	4,017,223	(893,000)	3,124,223
-	2,582,146	-	2,582,146
-	594,356	(133,000)	461,356
-	276,943	-	276,943
-	144,783	-	144,783
-	79,936	-	79,936
-	166,303	-	166,303
-	56,583	-	56,583
-	(1,242,318)	133,000	(1,109,318)
-	76,586	-	76,586
-	-	-	-
-	-	-	-
-	2,658,732	-	2,658,732
-	29,639,821	-	29,639,821
\$ -	\$ 32,298,553	\$ -	\$ 32,298,553

Rochester Area Foundation and Affiliates

**Schedule of Endowment Expenses
Year Ended December 31, 2010**

	Program	Management and General	Fundraising	Total
Personnel	\$ 77,808	\$ 53,833	\$ 74,946	\$ 206,587
Donor relations				
Printing and postage	-	1,733	-	1,733
Office and equipment				
Supplies	1,380	2,283	-	3,663
Telephone	1,649	2,728	-	4,377
Repair and maintenance	6,584	10,898	-	17,482
Office lease	23,014	38,090	-	61,104
Depreciation	4,875	8,069	-	12,944
	<u>37,502</u>	<u>62,068</u>	<u>-</u>	<u>99,570</u>
Administration				
Professional fees	-	39,036	3,351	42,387
Dues and subscriptions	-	2,523	-	2,523
Board and committee meetings	-	11,271	-	11,271
Travel	-	1,807	-	1,807
Other	-	34,343	-	34,343
	<u>-</u>	<u>88,980</u>	<u>3,351</u>	<u>92,331</u>
Total	<u>\$ 115,310</u>	<u>\$ 206,614</u>	<u>\$ 78,297</u>	<u>\$ 400,221</u>

Rochester Area Foundation and Affiliates

**Schedule of Endowment Expenses
Year Ended December 31, 2009**

	Program	Management and General	Fundraising	Total
Personnel	\$ 80,626	\$ 82,631	\$ 75,033	\$ 238,290
Donor relations				
Printing and postage	-	2,052	22,063	24,115
Office and equipment				
Supplies	1,493	2,921	-	4,414
Telephone	1,033	2,019	-	3,052
Repair and maintenance	8,888	17,380	-	26,268
Office lease	12,970	25,362	-	38,332
Depreciation	2,681	5,243	-	7,924
	27,065	52,925	-	79,990
Administration				
Professional fees	-	40,214	4,299	44,513
Dues and subscriptions	-	3,021	-	3,021
Board and committee meetings	-	13,294	-	13,294
Travel	-	1,825	-	1,825
Other	-	47,966	-	47,966
	-	106,320	4,299	110,619
Total	\$ 107,691	\$ 243,928	\$ 101,395	\$ 453,014

Rochester Area Foundation and Affiliates

**Schedule of First Steps Expenses
Year Ended December 31, 2010**

	Program	Management and General	Fundraising	Total
Educational training and evaluation				
Provider training	\$ 195,187	\$ -	\$ -	\$ 195,187
Personnel	68,154	27,926	1,373	97,453
Donor relations				
Printing and postage	-	1,081	-	1,081
Office and equipment				
Supplies	2,314	995	-	3,309
Telephone	1,723	741	-	2,464
Repair and maintenance	3,504	1,506	-	5,010
Office lease	17,657	7,591	-	25,248
Depreciation	3,783	1,626	-	5,409
	28,981	12,459	-	41,440
Administration				
Professional fees	2,089	16,630	-	18,719
Board and committee meetings	-	2,414	-	2,414
Travel	-	754	-	754
Other	-	12,662	-	12,662
	2,089	32,460	-	34,549
Total	\$ 294,411	\$ 73,926	\$ 1,373	\$ 369,710

Rochester Area Foundation and Affiliates

**Schedule of First Steps Expenses
Year Ended December 31, 2009**

	Program	Management and General	Fundraising	Total
Educational training and evaluation				
Provider training	\$ 209,240	\$ -	\$ -	\$ 209,240
Personnel	125,946	56,724	2,452	185,122
Donor relations				
Printing and postage	-	1,738	3,088	4,826
Office and equipment				
Supplies	3,201	1,504	-	4,705
Telephone	1,455	684	-	2,139
Repair and maintenance	5,600	2,631	-	8,231
Office lease	21,858	10,270	-	32,128
Depreciation	4,227	1,986	-	6,213
	36,341	17,075	-	53,416
Administration				
Professional fees	3,582	18,068	-	21,650
Board and committee meetings	-	6,041	-	6,041
Travel	-	1,989	-	1,989
Other	-	3,777	-	3,777
	3,582	29,875	-	33,457
Total	\$ 375,109	\$ 105,412	\$ 5,540	\$ 486,061

Rochester Area Foundation and Affiliates

**Schedule of First Homes Properties Expenses
Year Ended December 31, 2010**

	Program	Management and General	Fundraising	Total
Mortgage and development activities				
Valuation Adjustment	\$ 130,396	\$ -	\$ -	\$ 130,396
In-kind contributions - TIF	58,557	-	-	58,557
Net program expense - rehabilitated	538,922	-	-	538,922
	<u>727,875</u>	-	-	<u>727,875</u>
Personnel	<u>209,023</u>	<u>35,022</u>	<u>7,574</u>	<u>251,619</u>
Donor relations				
Printing and postage	-	1,543	-	1,543
	<u>-</u>	<u>1,543</u>	<u>-</u>	<u>1,543</u>
Office and equipment				
Supplies	5,655	1,152	-	6,807
Telephone	6,061	1,235	-	7,296
Repair and maintenance	11,512	2,346	-	13,858
Office lease	38,618	7,870	-	46,488
Depreciation	1,701	347	-	2,048
	<u>63,547</u>	<u>12,950</u>	<u>-</u>	<u>76,497</u>
Administration				
Professional fees	55,016	42,966	-	97,982
Dues and subscriptions	-	6,852	-	6,852
Board and committee meetings	-	4,315	-	4,315
Travel	-	5,459	-	5,459
Other	-	194,842	200	195,042
	<u>55,016</u>	<u>254,434</u>	<u>200</u>	<u>309,650</u>
Total	<u>\$ 1,055,461</u>	<u>\$ 303,949</u>	<u>\$ 7,774</u>	<u>\$ 1,367,184</u>

Rochester Area Foundation and Affiliates

**Schedule of First Homes Properties Expenses
Year Ended December 31, 2009**

	Program	Management and General	Fundraising	Total
Mortgage and development activities				
Valuation Adjustment	\$ 9,493	\$ -	\$ -	\$ 9,493
In-kind contributions - TIF	59,878	-	-	59,878
Net program expense - rehabilitated	150,949	-	-	150,949
	<u>220,320</u>	<u>-</u>	<u>-</u>	<u>220,320</u>
Personnel	<u>156,954</u>	<u>21,511</u>	<u>8,047</u>	<u>186,512</u>
Donor relations				
Printing and postage	-	1,709	-	1,709
	<u>-</u>	<u>1,709</u>	<u>-</u>	<u>1,709</u>
Office and equipment				
Supplies	4,109	785	-	4,894
Telephone	3,969	758	-	4,727
Repair and maintenance	11,639	2,224	-	13,863
Office lease	27,845	5,320	-	33,165
Depreciation	4,907	938	-	5,845
	<u>52,469</u>	<u>10,025</u>	<u>-</u>	<u>62,494</u>
Administration				
Professional fees	49,835	44,284	-	94,119
Dues and subscriptions	-	5,457	-	5,457
Board and committee meetings	-	8,590	-	8,590
Travel	-	9,039	-	9,039
Other	-	125,017	1,153	126,170
	<u>49,835</u>	<u>192,387</u>	<u>1,153</u>	<u>243,375</u>
Total	<u>\$ 479,578</u>	<u>\$ 225,632</u>	<u>\$ 9,200</u>	<u>\$ 714,410</u>