Rochester Area Foundation and Affiliates

Consolidated Financial Report
December 31, 2014

McGladrey

Assurance ▪ Tax ▪ Consulting

Contents

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Rochester Area Foundation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rochester Area Foundation and Affiliates as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Rochester, Minnesota
May 14, 2015

Rochester Area Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	**$ 1,196,156**	$ 745,517
Interest and dividends receivable	**12,989**	23,470
Pledges receivable (Note 4)	**245,500**	15,000
Investments in marketable securities (Notes 2 and 3)	**26,605,384**	26,963,579
Beneficial interest in trusts held by others (Notes 2, 6, and 8)	**619,369**	667,751
Loans receivable, net (Note 5)	**2,564,958**	2,509,556
Land and development costs	**422,128**	657,329
Equipment, net of accumulated depreciation of $236,725 in 2014 and $226,398 in 2013	**4,487**	14,814
Other assets	**131,763**	123,871
Land held in Community Land Trust	**7,983,584**	8,013,584
Total assets	**$ 39,786,318**	$ 39,734,471
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 35,489**	$ 19,425
Grants payable	**48,795**	44,200
Annuities payable	**62,603**	71,723
Unitrust obligations (Note 6)	**614,000**	632,000
Refundable advances	**550,081**	537,656
Notes payable (Note 7)	**848,266**	1,588,965
Total liabilities	**2,159,234**	2,893,969
Commitments (Notes 3 and 10)		
Net Assets (Notes 8 and 9)		
Unrestricted	**24,152,828**	23,585,006
Temporarily restricted	**11,552,612**	11,333,852
Permanently restricted	**1,921,644**	1,921,644
Total net assets	**37,627,084**	36,840,502
Total liabilities and net assets	**$ 39,786,318**	$ 39,734,471

See Notes to Consolidated Financial Statements.

Rochester Area Foundation and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Foundations, corporations, and individuals	$ 2,431,410	$ 164,480	$ -	$ 2,595,890
Grants	-	100,000	-	100,000
Investment gain (loss) (Note 3)	1,178,480	(32,107)	-	1,146,373
Loan discount accretion	-	81,058	-	81,058
Other	8,585	180,370	-	188,955
Change in value of split interest agreements	-	24,680	-	24,680
Net assets released from restriction	299,721	(299,721)	-	-
Total revenues and gains	3,918,196	218,760	-	4,136,956
Expenses:				
Programs:				
Grants	2,278,740	-	-	2,278,740
Philanthropic and special	130,606	-	-	130,606
First Homes Properties	129,248	-	-	129,248
Rochester Community Finance	43,070	-	-	43,070
Management and general	631,479	-	-	631,479
Fundraising	137,231	-	-	137,231
Total expenses	3,350,374	-	-	3,350,374
Change in net assets	567,822	218,760	-	786,582
Net assets:				
Beginning of year	23,585,006	11,333,852	1,921,644	36,840,502
End of year	$ 24,152,828	$ 11,552,612	$ 1,921,644	$ 37,627,084

See Notes to Consolidated Financial Statements.

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,319,762	$ 309,431	$ -	$ 1,629,193
-	210,397	-	210,397
2,787,015	213,756	-	3,000,771
-	84,304	-	84,304
13,117	71,082	-	84,199
-	110,753	-	110,753
534,333	(534,333)	-	-
4,654,227	465,390	-	5,119,617
1,106,587	-	-	1,106,587
191,673	-	-	191,673
252,859	-	-	252,859
18,730	-	-	18,730
547,061	-	-	547,061
173,420	-	-	173,420
2,290,330	-	-	2,290,330
2,363,897	465,390	-	2,829,287
21,221,109	10,868,462	1,921,644	34,011,215
$ 23,585,006	$ 11,333,852	$ 1,921,644	$ 36,840,502

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

		2014		2013
Cash Flows From Operating Activities				
Contributions received from foundation, corporations, and individuals	**$**	**1,808,970**	$	1,370,953
Grants received		**100,000**		210,397
Interest and dividends received		**593,195**		298,101
Other receipts		**337,448**		138,971
Cash paid for grants		**(2,274,145)**		(1,113,737)
Cash paid to employees and suppliers		**(1,095,635)**		(1,330,694)
Net cash used in operating activities		**(530,167)**		(426,009)
Cash Flows From Investing Activities				
Issuance of notes receivable		**-**		(6,215)
Purchase of land and development projects		**(454,121)**		(203,289)
Payments for land development projects		**-**		(156,667)
Proceeds from developed properties		**552,322**		494,254
Sale of land held in community land trust		**30,000**		46,814
Payments received on loans receivable		**47,454**		75,252
Issuance of loans receivable		**(30,856)**		(29,543)
Proceeds from sale and maturities of investment securities		**3,167,442**		921,504
Purchase of investment securities		**(1,590,736)**		(71,740)
Net cash provided by investing activities		**1,721,505**		1,070,370
Cash Flows From Financing Activities				
Principal payments of notes payable		**(740,699)**		(327,228)
Net cash used in financing activities		**(740,699)**		(327,228)
Net increase in cash and cash equivalents		**450,639**		317,133
Cash and Cash Equivalents				
Beginning		**745,517**		428,384
Ending	**$**	**1,196,156**	$	745,517

(Continued)

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

		2014		2013
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities				
Change in net assets	**$**	**786,582**	$	2,829,287
Adjustments to reconcile change in net assets to cash used in operating activities:				
Depreciation expense		**10,327**		13,364
Change in valuation allowance on loans and contributions		**137,000**		48,000
Net unrealized and realized gains on investments		**(563,659)**		(2,704,442)
Noncash donation of investments		**(621,203)**		(321,844)
Discount on loans receivable, net of accretion		**(72,000)**		(72,000)
Change in value of split interest agreements		**(24,680)**		(110,753)
Changes in assets and liabilities:				
(Increase) decrease in receivables		**(220,019)**		27,922
Decrease in other assets		**56,891**		18,558
Increase (decrease) in payables and accrued expenses		**11,539**		(269,746)
Increase (decrease) in unitrust obligations		**(43,370)**		64,753
Increase in refundable advances		**12,425**		50,892
Net cash used in operating activities	**$**	**(530,167)**	$	(426,009)
Supplemental Schedule of Noncash Investing and Financing Activities				
Assignment of loans as debt principal payments	**$**	**-**	$	339,122
Accrued interest capitalized in long-term debt		**-**		80,311

See Notes to Consolidated Financial Statements.

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

Nature of activities: Rochester Area Foundation, First Homes Properties, RAF Properties, and Rochester Community Finance (RCF) (collectively referred to as the Foundation) are not-for-profit 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. 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. RCF is organized to provide increased access to capital for low- and moderate-income individuals and communities in the Rochester area. There was no activity for RAF Properties for the years ending December 31, 2014 and 2013.

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, and RCF. Rochester Area Foundation is the sole member of First Homes Properties, RAF Properties, and RCF. All material intercompany 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.

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

Pledges receivable: Pledges receivable 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 the present value of projected future cash flows. Management determines bad debts by regularly evaluating individual pledges receivable and considers a donor's financial condition and current economic conditions. Pledges receivable are written off when deemed uncollectible. Recoveries of pledges receivable previously written off are recorded when received.

Investments in marketable securities: Donated real property is initially stated at fair value based on an 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, private equity funds, and real estate investment trusts (alternative investments) are stated at fair value using the practical expedient based on net asset 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 methods, 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. The alternative investments are nonmarketable and, although a secondary market exists for nonmarketable 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 NAV. 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 NAV, and the discount could be significant.

Loans receivable: The Foundation originates subordinated mortgage loans at advantageous rates to developers and families in southeast Minnesota to increase affordable multifamily and single-family housing. 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 collectibility as of the reporting date. Management has determined that no allowance is required at December 31, 2014 and 2013.

Fair value measurements: Certain assets are reported at fair value on a recurring basis 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.

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

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 three to seven years.

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 percent of the applicable federal rate (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 are reported at fair value. Fair value is based upon the total present value of discounted future cash flows estimated over the life of the trust. These funds 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 therefrom.

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 the 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 restriction. 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 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: Government grants arise under agreements with federal government agencies. These agreements normally represent exchange transactions between the Foundation and the grantors and, most commonly, are included in unrestricted net assets. Revenue from grants is recognized according to the terms of the agreements, which commonly is when expenditures are incurred.

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.

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

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 percent of the employee's salary through a Simplified Employee Pension Plan. The Foundation contributed $17,705 and $16,358 for the years ending December 31, 2014 and 2013, 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 valuation of investments, factors that impact the determination of unitrust obligations, and discount on loans receivable.

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, 2014, generally, the federal and Minnesota tax returns for the Foundation are open for examination by taxing authorities for the years 2011 to 2014. At December 31, 2014, the Foundation did not record any liabilities for uncertain tax positions.

Recent Accounting Pronouncements: In May 2014 the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard becomes effective for the Organization for the year beginning January 1, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Subsequent events: The Foundation has evaluated events and transactions occurring subsequent to December 31, 2014, through May 14, 2015, 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 non-recognized subsequent events requiring disclosure subsequent to year end.

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 Accounting Standards Codification* (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. 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 upon 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.

- Fair value for 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. Level 3 investments also include beneficial interest in trust, as the Foundation has no redemption rights with respect to trust assets. The fair value of the beneficial interest is determined based upon the discounted cash flow of the expected payment streams. The methods described 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 could result in a different estimate of fair value at the reporting date

Note 2. Fair Value Measurements (Continued)

Assets subject to the recurring fair value measurements described above included in the consolidated statements of financial position at December 31, 2014 and 2013, are summarized as follows:

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 2,900,361	$ -	$ -	$ 2,900,361
Domestic corporate obligations	1,203,867	-	-	1,203,867
Domestic equity—small/mid cap	532,236	-	-	532,236
Domestic equity—large cap	253,530	-	-	253,530
Domestic equity sectors	435,357	-	-	435,357
International corporate obligations	18,486	-	-	18,486
International equity	1,688,106	-	-	1,688,106
U.S. Government obligations	33,845	-	-	33,845
Global balanced fund	6,495,839	-	-	6,495,839
Large cap common stocks	4,784,982	-	-	4,784,982
Alternative investments:				
Hedge funds	-	-	278,523	278,523
Real estate and natural resource funds	-	-	1,291,704	1,291,704
Private equity	-	-	6,688,548	6,688,548
Total investments in marketable securities	18,346,609	-	8,258,775	26,605,384
Other assets:				
Beneficial interest in trusts held by others	-	-	619,369	619,369
Total	$ 18,346,609	$ -	$ 8,878,144	$ 27,224,753

Note 2. Fair Value Measurements (Continued)

	2013			
	Level 1	Level 2	Level 3	Total Fair Value
Investments in marketable securities:				
Fixed-income securities:				
Corporate obligations	$ -	$ 1,849,526	$ -	$ 1,849,526
Mutual funds:				
Blended equity income	2,793,660	-	-	2,793,660
Domestic corporate obligations	1,133,614	-	-	1,133,614
Domestic equity—small/mid cap	495,756	-	-	495,756
Domestic equity—large cap	327,815	-	-	327,815
Domestic equity sectors	380,511	-	-	380,511
International corporate obligations	209,979	-	-	209,979
International equity	1,810,925	-	-	1,810,925
U.S. Government obligations	32,146	-	-	32,146
Global balanced fund	6,457,649	-	-	6,457,649
Large cap common stocks	3,527,003	-	-	3,527,003
Alternative investments:				
Hedge funds	-	-	349,887	349,887
Real estate and natural resource funds	-	-	1,508,405	1,508,405
Private equity	-	-	6,086,703	6,086,703
Total investments in marketable securities	17,169,058	1,849,526	7,944,995	26,963,579
Other assets:				
Beneficial interest in trusts held by others	-	-	667,751	667,751
Total	$ 17,169,058	$ 1,849,526	$ 8,612,746	$ 27,631,330

Note 2. Fair Value Measurements (Continued)

The following tables are a roll-forward of the investments classified by the Foundation within Level 3 of the valuation hierarchy defined above:

2014	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Other	Total
Fair value January 1, 2014	$ 349,887	$ 1,508,405	$ 6,086,703	$ 667,751	$ 8,612,746
Net purchases, issuances, contributions and capital calls	-	-	300,000	-	300,000
Dispositions and distributions	(94,549)	(308,776)	-	(64,784)	(468,109)
Market value change	23,185	92,075	301,845	16,402	433,507
Fair value December 31, 2014	$ 278,523	$ 1,291,704	$ 6,688,548	$ 619,369	$ 8,878,144
Net unrealized gains attributable to investments held at year end	$ 23,185	$ 92,075	$ 301,845	$ 16,402	$ 433,507

2013	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Other	Total
Fair value January 1, 2013	$ 458,687	$ 1,501,979	$ 5,598,789	$ 661,205	$ 8,220,660
Net purchases, issuances, contributions and capital calls	-	-	-	-	-
Disposition of investments	(139,585)	(91,225)	(90,200)	(62,448)	(383,458)
Market value change	30,785	97,651	578,114	68,994	775,544
Fair value December 31, 2013	$ 349,887	$ 1,508,405	$ 6,086,703	$ 667,751	$ 8,612,746
Net unrealized gains attributable to investments held at year end	$ 30,785	$ 97,651	$ 578,114	$ 68,994	$ 775,544

Note 2. Fair Value Measurements (Continued)

The following information pertains to those alternative investments recorded at NAV in accordance with the Fair Value Measurements and Disclosures topic of the FASB ASC:

	2014			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Alternative investments:				
Hedge funds (a)	$ 278,523	$ -	Not available	Upon liquidation
Real estate and natural resource funds (b)	1,291,704	163,397	(b)	(b)
Private equity	6,688,548	-	Quarterly	60 days
	$ 8,258,775	$ 163,397		

(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 Foundation's investments in this asset class currently do not allow any redemptions.

(b) These categories includes limited partnership interests in closed-end funds that focus on private equity, real estate, and resource-related strategies. 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 five to seven year period. These alternative investments are nonmarketable and, although a secondary market exists for nonmarketable 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 NAV. 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 NAV, and the discount could be significant. Redemption frequency varies on these investments from not available to quarterly, with the notice periods of 45 to 60 days, when available. Approximately 11 percent of the funds do not allow redemptions, with the remaining 89 percent redeemable quarterly.

(c) This category includes a limited partnership interest in a fund of funds whose objective is to maximize risk-adjusted returns over the long term horizon by employing various strategies.

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, 2014 and 2013, was $6,689,000 and $6,412,000, respectively.

Note 3. Investments in Marketable Securities

Investments in marketable securities at December 31, 2014 and 2013, are summarized as follows:

	2014		
	Cost	Carrying Value	Unrealized Gain/(Loss)
Mutual funds:			
Blended equity income	$ 2,646,161	$ 2,900,361	$ 254,200
Domestic corporate obligations	1,231,288	1,203,867	(27,421)
Domestic equity—small/mid cap	458,307	532,236	73,929
Domestic equity—large cap	184,803	253,530	68,727
Domestic equity sectors	370,366	435,357	64,991
International corporate obligations	18,840	18,486	(354)
International equity	1,751,013	1,688,106	(62,907)
U.S. Government obligations	33,380	33,845	465
Large cap common stocks	3,911,046	4,784,982	873,936
Global balanced fund	6,199,546	6,495,839	296,293
Alternative investments:			
Hedge funds	389,298	278,523	(110,775)
Real estate and natural resource funds	3,001,758	1,291,704	(1,710,054)
Private equity	6,300,000	6,688,548	388,548
	$ 26,495,806	$ 26,605,384	$ 109,578

	2013		
	Cost	Carrying Value	Unrealized Gain/(Loss)
Fixed-income securities:			
Corporate obligations	$ 1,836,470	$ 1,849,526	$ 13,056
Mutual funds:			
Blended equity income	2,487,413	2,793,660	306,247
Domestic corporate obligations	1,178,826	1,133,614	(45,212)
Domestic equity—small/mid cap	437,819	495,756	57,937
Domestic equity—large cap	257,780	327,815	70,035
Domestic equity sectors	335,276	380,511	45,235
International corporate obligations	215,206	209,979	(5,227)
International equity	1,718,157	1,810,925	92,768
U.S. Government obligations	42,971	32,146	(10,825)
Large cap common stocks	2,858,385	3,527,003	668,618
Global balanced fund	5,612,859	6,457,649	844,790
Alternative investments:			
Hedge funds	484,414	349,887	(134,527)
Real estate and natural resource funds	3,139,777	1,508,405	(1,631,372)
Private equity	6,000,000	6,086,703	86,703
	$ 26,605,353	$ 26,963,579	$ 358,226

Note 3. Investments in Marketable Securities (Continued)

At December 31, 2014 and 2013, the Foundation, as trustee, holds Charitable Remainder Trusts/Unitrusts totaling approximately $912,000 and $921,000, respectively, that are included in investments.

Reconciliation of investment income for the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Interest and dividends from depository accounts	$ 20,687	$ 33,546
Interest and dividends from investments	528,378	262,783
Net gains	638,152	2,748,365
Investment fees (individually identified)	(40,844)	(43,923)
	$ 1,146,373	$ 3,000,771

Note 4. Pledges Receivable

As of December 31, 2014, pledges receivable are expected to be realized in the following periods:

2015	$ 65,500
2016	60,000
2017	60,000
2018	60,000
	$ 245,500

Note 5. Loans Receivable

Rochester Community Finance originates subordinated mortgage loans for single-family and multifamily development housing as follows:

Single-family loans: Single-family mortgage loans are originated to assist low- and moderate-income homebuyers with all or a portion of the down payment required on their primary residence, in amounts ranging from $1,000 to $10,000 for a 30-year term in conjunction with their primary mortgage lender. Loans originated for the purchase of homes within the Community Land Trust program administered by First Homes Properties do not earn interest during the 30-year mortgage term, with the balance of principal due upon loan maturity or sale of the home, whichever comes first. Loans originated for financing outside of the Community Land Trust program earn simple interest of 2 percent per annum over the 30-year mortgage term, with balance of principal and interest due upon loan maturity or sale of the home, whichever comes first. RCF has estimated that the majority of these loans will be repaid within an average of 10 years, with total projected cash flows discounted to present value with rates between 3.46 percent and 6.88 percent over that period. Loans originated in conjunction with a home purchased through the Community Land Trust program are collateralized by the underlying value of the land in the trust, which is evaluated annually for impairment. During the years ended December 31, 2014 and 2013, a total of approximately $42,000 and $65,000, respectively, was repaid due to the sale of homes, and one loan of $5,000 and $10,000, respectively, was written off due to bank foreclosure on the primary mortgage on the home. As of December 31, 2014, all remaining loans mature between the years of 2030 and 2044, and no impairment to the loans or the underlying value of the land has been identified necessitating further credit risk evaluation.

Note 5. Loans Receivable (Continued)

Multifamily loans: Multifamily loans are originated to agencies with the intent to construct and develop multifamily residences for low- and moderate-income individuals. These loans do not earn interest and are discounted over the term of the primary mortgage that ranges from 20 to 30 years, with the principal balance of the loan due upon maturity of the primary mortgage or sale of the development, whichever comes first. Multifamily 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, with rates ranging from 3.5 percent to 7.6 percent. As of December 31, 2014, all multifamily loans mature between the years of 2015 and 2040, and no impairment to the loans has been identified necessitating further credit risk evaluation.

Contracts for deed: Contracts for deed are originated to low- and moderate-income homebuyers. These loans earn simple interest of 4 percent per annum and require monthly principal and interest payments until maturity in 2016, when the remaining unpaid principal and interest balances are due. As of December 31, 2014, borrowers have paid in accordance with contractual terms, and no impairment to the loans has been identified necessitating further credit risk evaluation.

RCF 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. RCF does not report loans funded by GMHF within its financial statements, as the mortgage is held by GMHF.

A summary of loans receivable by type are as follows:

	December 31,	
	2014	2013
Multifamily loans	$ 2,911,200	$ 2,911,200
Single-family loans	1,487,394	1,345,271
Contract for deed	149,364	308,085
Less discount	(1,983,000)	(2,055,000)
Loans receivable, net	$ 2,564,958	$ 2,509,556

Under the terms of the refinanced debt with the GMHF (see Note 7), the Foundation pledged certain loans receivable and assigned the cash flows from certain loans receivable as follows: (1) 60 percent of the repayments on single-family loans through 2020 and (2) 100 percent of the repayments on contracts for deed through 2020.

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 to pay beneficiaries, on a quarterly basis, returns ranging from 5.0 percent to 7.0 percent 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 percent to 7.0 percent. 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 percent and 5.25 percent and are expected to be realized in the following periods:

2015	$ 63,474
2016-2020	319,498
2021-2025	318,123
2026-2029	185,375
	886,470
Less: present value discount	(267,101)
	$ 619,369

During the years ended December 31, 2014 and 2013, the Foundation received distributions of $64,784 and $62,448, respectively, from these trusts.

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.

On November 25, 2013, the Foundation refinanced and consolidated their outstanding Greater Minnesota Housing Fund loans in the amount of $2,099,065, which included approximately $80,000 in accrued interest; interest of approximately $132,000 was forgiven by the lender. The original principal balance was reduced by a one-time principal payment of $127,500 and the assignment and assumption of mortgage and loan receivables carried at approximately $339,000. As outlined in the agreement, certain notes receivable, mortgages, contracts for deed and other assets were listed as collateral (approximately $997,000) and future proceeds were assigned to the lender (see Note 5), as well as the assignment of future proceeds received by the Foundation on sales of certain properties. Under the agreement, loan payments and mortgage sale proceeds will be received by the lender as a reduction in the outstanding principal balance over the life of the loan.

The note payable as of December 31, 2014 and 2013, was $848,266 and $1,588,965 respectively. Interest on the loan is 2 percent simple interest rate, with quarterly interest payment only until December 2020 and is collateralized by assets and future revenues. All accrued interest and the unpaid principal balance is due as a balloon payment in December 2020.

Note 8. Net Assets

Unrestricted net assets are held with the following Board designations as of December 31, 2014 and 2013:

	2014	2013
Board designated	$ 286,072	$ 662,289
Donor designated	1,166,554	600,051
Donor advised (nonendowment)	10,549,523	10,022,797
Agency endowment	6,056,443	5,904,172
Field of interest	1,100,583	1,087,710
Undesignated	4,993,653	5,307,987
	$ 24,152,828	$ 23,585,006

Temporarily restricted net assets are restricted for the following purposes at December 31, 2014 and 2013:

	2014	2013
Time restricted based on life expectancy of donors:		
Charitable remainder unitrust	$ 218,399	$ 211,165
Charitable remainder trust	54,049	53,005
Charitable gift annuity	111,802	121,057
Charitable lead trust	619,369	667,751
	1,003,619	1,052,978
Purpose restricted:		
First Homes Properties	9,041,501	8,844,946
Rochester Community Finance	113,785	48,216
	9,155,286	8,893,162
Endowment earnings for Rochester community	351,252	338,069
Preschool children	617,769	636,782
Higher learning	23,504	23,958
Disabled individuals	401,182	388,903
	1,393,707	1,387,712
	$ 11,552,612	$ 11,333,852

Permanently restricted net assets of which investment income is available for the following purposes at December 31, 2014 and 2013 is as follows:

	2014	2013
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
	$ 1,921,644	$ 1,921,644

Note 9. Endowment

The Foundation's endowment consists of 209 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 generally accepted accounting principles, 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, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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, 2014 and 2013, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2012	$ 12,277,138	$ 1,147,302	$ 1,921,644	$ 15,346,084
Investment return, investment change	1,647,876	219,295	-	1,867,171
Board allocations of unrestricted contributions	492,102	21,115	-	513,217
Appropriation of endowment funds (net of fees and reimbursements)	(854,907)	-	-	(854,907)
Balance, December 31, 2013	13,562,209	1,387,712	1,921,644	16,871,565
Investment return, investment change	719,602	5,845	-	725,447
Board allocations of unrestricted contributions	494,395	150	-	494,545
Appropriation of endowment funds (net of fees and reimbursements)	(1,172,901)	-	-	(1,172,901)
Balance, December 31, 2014	$ 13,603,305	$ 1,393,707	$ 1,921,644	$ 16,918,656

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 proposes 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 percent 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 percent 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 3.5 percent 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 10. Commitments and Contingencies

Operating lease: The Foundation leases office space pursuant to a noncancellable operating lease. The lease agreement, which expires in September 2015, requires a minimum monthly payment of $5,395, which includes payment of real estate taxes and operating expenses. The future minimum commitments under this lease are approximately $49,000 in fiscal year 2015. Rental expense related to this operating lease for the years ended December 31, 2014 and 2013, was approximately $114,000 and $139,000, respectively.

Loan guarantee: In March of 2012, the Foundation agreed to provide a $2,000,000 collateralized loan guarantee to the Boys and Girls Club and Childcare Resource and Referral for the purposes of building a new facility to house programs for lower income and at-risk youth. This guarantee was made to the primary lending institution for a loan into a New Markets Tax Credit structure. This guarantee is secured by an interest in Foundation assets. As of December 31, 2012, the loan proceeds were disbursed by the primary lender, and the Foundation was reimbursed $300,000 for costs related to services provided obtaining the loan. The Foundation can be required to perform on the guarantee only in the event of nonpayment of the debt by the debtor. Management evaluates the Foundation's exposure to loss at each statement of financial position date and provides accruals for such as deemed necessary. No accruals were deemed necessary at December 31, 2014 or 2013.

Rochester Area Foundation and Affiliates

Consolidating Statements of Financial Position
Year Ended December 31, 2014

	Endowment	First Homes Properties	Rochester Community Finance
Assets			
Cash and cash equivalents	$ 1,036,274	$ 124,089	$ 35,793
Interest and dividends receivable	-	4,900	8,089
Pledges receivable	245,500	-	-
Notes receivable from affiliates	1,113,541	1,983,272	4,500
Investments in marketable securities	26,605,384	-	-
Beneficial interest in trusts held by others	619,369	-	-
Loans receivable, net	-	308,864	2,256,094
Land and development costs	-	422,128	-
Equipment, net of accumulated depreciation	4,153	334	-
Other assets	50,641	73,122	8,000
Land held in Community Land Trust	-	7,983,584	-
Total assets	$ 29,674,862	$ 10,900,293	$ 2,312,476
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 23,085	$ 10,030	$ 2,374
Grants payable	48,795	-	-
Annuities payable	62,603	-	-
Unitrust obligations	614,000	-	-
Refundable advances	550,081	-	-
Notes payable	-	848,266	-
Notes payable to affiliates	4,500	1,000,496	2,096,317
Total liabilities	1,303,064	1,858,792	2,098,691
Net Assets			
Unrestricted	24,052,828	-	100,000
Temporarily restricted	2,397,326	9,041,501	113,785
Permanently restricted	1,921,644	-	-
Total net assets	28,371,798	9,041,501	213,785
Total liabilities and net assets	$ 29,674,862	$ 10,900,293	$ 2,312,476

Total	Eliminations	Consolidated Total
$ 1,196,156	$ -	$ 1,196,156
12,989	-	12,989
245,500	-	245,500
3,101,313	(3,101,313)	-
26,605,384	-	26,605,384
619,369	-	619,369
2,564,958	-	2,564,958
422,128	-	422,128
4,487	-	4,487
131,763	-	131,763
7,983,584	-	7,983,584
$ 42,887,631	$ (3,101,313)	$ 39,786,318
$ 35,489	$ -	$ 35,489
48,795	-	48,795
62,603	-	62,603
614,000	-	614,000
550,081	-	550,081
848,266	-	848,266
3,101,313	(3,101,313)	-
5,260,547	(3,101,313)	2,159,234
24,152,828	-	24,152,828
11,552,612	-	11,552,612
1,921,644	-	1,921,644
37,627,084	-	37,627,084
$ 42,887,631	$ (3,101,313)	$ 39,786,318

Rochester Area Foundation and Affiliates

Consolidating Statements of Financial Position
December 31, 2013

	Endowment	First Homes Properties	Rochester Community Finance
Assets			
Cash and cash equivalents	$ 425,347	$ 307,682	$ 12,488
Interest and dividends receivable	15,381	-	8,089
Pledges receivable	15,000	-	-
Due from affiliates	1,002,931	2,008,575	4,500
Investments in marketable securities	26,963,579	-	-
Beneficial interest in trusts held by others	667,751	4,150	8,000
Loans receivable, net	-	308,085	2,201,471
Land and development costs	-	657,329	-
Equipment, net of accumulated depreciation	14,257	557	-
Other assets	48,348	63,373	-
Land held in Community Land Trust	-	8,013,584	-
Total assets	$ 29,152,594	$ 11,363,335	$ 2,234,548
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 15,175	$ 4,202	$ 48
Grants payable	44,200	-	-
Annuities payable	71,723	-	-
Unitrust obligations	632,000	-	-
Refundable advances	537,656	-	-
Notes payable	-	1,588,965	-
Due to affiliates	4,500	925,222	2,086,284
Total liabilities	1,305,254	2,518,389	2,086,332
Net Assets			
Unrestricted	23,485,006	-	100,000
Temporarily restricted	2,440,690	8,844,946	48,216
Permanently restricted	1,921,644	-	-
Total net assets	27,847,340	8,844,946	148,216
Total liabilities and net assets	$ 29,152,594	$ 11,363,335	$ 2,234,548

	Total	Eliminations	Consolidated Total
	$ 745,517	$ -	$ 745,517
	23,470	-	23,470
	15,000	-	15,000
	3,016,006	(3,016,006)	-
	26,963,579	-	26,963,579
	679,901	-	679,901
	2,509,556	-	2,509,556
	657,329	-	657,329
	14,814	-	14,814
	111,721	-	111,721
	8,013,584	-	8,013,584
	$ 42,750,477	$ (3,016,006)	$ 39,734,471
	$ 19,425	$ -	$ 19,425
	44,200	-	44,200
	71,723	-	71,723
	632,000	-	632,000
	537,656	-	537,656
	1,588,965	-	1,588,965
	3,016,006	(3,016,006)	-
	5,909,975	(3,016,006)	2,893,969
	23,585,006	-	23,585,006
	11,333,852	-	11,333,852
	1,921,644	-	1,921,644
	36,840,502	-	36,840,502
	$ 42,750,477	$ (3,016,006)	$ 39,734,471

Rochester Area Foundation and Affiliates

Consolidating Statements of Activities
Year Ended December 31, 2014

	Endowment	First Homes Properties	Rochester Community Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations, and individuals	$ 2,431,410	$ -	$ -
Investment gain	1,178,480	-	-
Other	8,585	-	-
Net assets released from restriction	15,400	240,094	150,842
Total unrestricted public support and revenues	3,633,875	240,094	150,842
Expenses:			
Programs:			
Grants	2,385,355	-	-
Philanthropic and special	130,606	-	-
First Homes Properties	-	129,248	-
Rochester Community Finance	-	-	43,070
Management and general	426,423	109,084	95,972
Fundraising	123,669	1,762	11,800
Total expenses	3,066,053	240,094	150,842
Change in unrestricted net assets	567,822	-	-
Changes in temporarily restricted net assets:			
Foundation, corporations, and individuals	150	239,235	31,710
Grants	-	-	100,000
Investment (loss) gain	(52,794)	17,093	3,594
Loan discount accretion	-	-	81,058
Other	-	180,321	49
Change in value of split-interest agreements	24,680	-	-
Net assets released from restriction	(15,400)	(240,094)	(150,842)
Change in temporarily restricted net assets	(43,364)	196,555	65,569
Change in net assets	524,458	196,555	65,569
Net assets, beginning	27,847,340	8,844,946	148,216
Net assets, ending	$ 28,371,798	$ 9,041,501	$ 213,785

Total	Eliminations	Consolidated Total
$ 2,431,410	$ -	$ 2,431,410
1,178,480	-	1,178,480
8,585	-	8,585
406,336	(106,615)	299,721
4,024,811	(106,615)	3,918,196
2,385,355	(106,615)	2,278,740
130,606	-	130,606
129,248	-	129,248
43,070	-	43,070
631,479	-	631,479
137,231	-	137,231
3,456,989	(106,615)	3,350,374
567,822	-	567,822
271,095	(106,615)	164,480
100,000	-	100,000
(32,107)	-	(32,107)
81,058	-	81,058
180,370	-	180,370
24,680	-	24,680
(406,336)	106,615	(299,721)
218,760	-	218,760
786,582	-	786,582
36,840,502	-	36,840,502
$ 37,627,084	$ -	$ 37,627,084

Rochester Area Foundation and Affiliates

Consolidating Statements of Activities
Year Ended December 31, 2013

	Endowment	First Homes Properties	Rochester Community Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations, and individuals	$ 1,319,762	$ -	$ -
Investment gain	2,787,015	-	-
Other	13,117	-	-
Net assets released from restriction	70,195	433,013	52,725
Total unrestricted public support and revenues	4,190,089	433,013	52,725
Expenses:			
Programs:			
Grants	1,128,187	-	-
Philanthropic and special	191,673	-	-
First Homes Properties	-	252,859	-
Rochester Community Finance	-	-	18,730
Management and general	335,030	178,036	33,995
Fundraising	171,302	2,118	-
Total expenses	1,826,192	433,013	52,725
Change in unrestricted net assets	2,363,897	-	-
Changes in temporarily restricted net assets:			
Foundation, corporations, and individuals	21,115	308,525	1,391
Grants	-	210,397	-
Investment gain	180,210	18,650	14,896
Loan discount accretion	-	-	84,304
Other	-	71,082	-
Change in value of split-interest agreements	110,403	-	350
Net assets released from restriction	(70,195)	(433,013)	(52,725)
Change in temporarily restricted net assets	241,533	175,641	48,216
Change in net assets	2,605,430	175,641	48,216
Net assets, beginning	25,241,910	8,669,305	100,000
Net assets, ending	$ 27,847,340	$ 8,844,946	$ 148,216

Total	Eliminations	Consolidated Total
$ 1,319,762	$ -	$ 1,319,762
2,787,015	-	2,787,015
13,117	-	13,117
555,933	(21,600)	534,333
4,675,827	(21,600)	4,654,227
1,128,187	(21,600)	1,106,587
191,673	-	191,673
252,859	-	252,859
18,730	-	18,730
547,061	-	547,061
173,420	-	173,420
2,311,930	(21,600)	2,290,330
2,363,897	-	2,363,897
331,031	(21,600)	309,431
210,397	-	210,397
213,756	-	213,756
84,304	-	84,304
71,082	-	71,082
110,753	-	110,753
(555,933)	21,600	(534,333)
465,390	-	465,390
2,829,287	-	2,829,287
34,011,215	-	34,011,215
$ 36,840,502	$ -	$ 36,840,502

Rochester Area Foundation and Affiliates

Schedule of Endowment Expenses
Year Ended December 31, 2014

	2014				
	Program	Management and General	Fundraising	Total	2013 Total
Personnel	$ 101,403	$ 187,121	$ 120,336	$ 408,860	$ 414,860
Donor relations:					
Printing and postage	-	12,226	-	12,226	14,051
Office and equipment:					
Supplies	1,530	4,641	-	6,171	7,214
Telephone	1,559	4,725	-	6,284	7,636
Repair and maintenance	6,632	20,107	-	26,739	30,502
Office lease	16,976	51,472	-	68,448	101,487
Depreciation	2,506	7,598	-	10,104	12,567
	29,203	88,543	-	117,746	159,406
Administration:					
Professional fees	-	59,778	3,333	63,111	77,009
Dues and subscriptions	-	10,062	-	10,062	1,199
Board and committee meetings	-	22,693	-	22,693	6,679
Travel	-	4,422	-	4,422	3,330
Depreciation, interest and other	-	41,578	-	41,578	21,471
	-	138,533	3,333	141,866	109,688
Total	$ 130,606	$ 426,423	$ 123,669	$ 680,698	$ 698,005

Rochester Area Foundation and Affiliates

Schedule of First Homes Properties Expenses
Year Ended December 31, 2014

	2014				
	Program	Management and General	Fundraising	Total	2013 Total
Mortgage and development activities:					
In-kind contributions—TIF	$ -	$ -	$ -	$ -	$ 27,793
Net program expense—rehabilitated homes	16,726	-	-	16,726	51,916
	16,726	-	-	16,726	79,709
Personnel	77,198	18,963	1,762	97,923	124,377
Donor relations:					
Printing and postage	-	960	-	960	790
Office and equipment:					
Supplies	2,370	636	-	3,006	2,817
Telephone	2,925	785	-	3,710	3,480
Repair and maintenance	6,423	1,724	-	8,147	8,717
Office lease	23,430	6,290	-	29,720	34,800
Depreciation	176	47	-	223	797
	35,324	9,482	-	44,806	50,611
Administration:					
Professional fees	-	28,110	-	28,110	27,460
Dues and subscriptions	-	2,900	-	2,900	2,470
Board and committee meetings	-	2,033	-	2,033	2,306
Travel	-	3,246	-	3,246	1,990
Depreciation, interest and other	-	43,390	-	43,390	143,300
	-	79,679	-	79,679	177,526
Total	$ 129,248	$ 109,084	$ 1,762	$ 240,094	$ 433,013

Rochester Area Foundation and Affiliates

Schedule of Rochester Community Finance Expenses
Year Ended December 31, 2014

	2014				
	Program	Management and General	Fundraising	Total	2013 Total
Mortgage and development activities:					
Valuation adjustment	$ 9,058	$ -	$ -	$ 9,058	$ 12,304
Personnel	23,480	43,387	11,800	78,667	11,104
Donor relations:					
Printing and postage	-	510	-	510	63
Office and equipment:					
Supplies	348	818	-	1,166	221
Telephone	438	1,029	-	1,467	180
Repair and maintenance	1,043	2,451	-	3,494	543
Office lease	4,770	11,210	-	15,980	2,782
	6,599	15,508	-	22,107	3,726
Administration:					
Professional fees	3,933	13,686	-	17,619	6,678
Board and committee meetings	-	3,125	-	3,125	379
Travel	-	1,111	-	1,111	3,489
Depreciation, interest and other	-	18,645	-	18,645	14,982
	3,933	36,567	-	40,500	25,528
Total	$ 43,070	$ 95,972	$ 11,800	$ 150,842	$ 52,725