Rochester Area Foundation and Affiliates

Consolidated Financial Report
December 31, 2021

Contents

Independent Auditor's Report

Finance Committee
Rochester Area Foundation and Affiliates

Opinion
We have audited the consolidated financial statements of Rochester Area Foundation and its Affiliates (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the 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 financial statements as a whole.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

RSM US LLP

Rochester, Minnesota
September 14, 2022

Rochester Area Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets (Note 8)		
Cash and cash equivalents	$ 5,695,004	$ 4,008,161
Cash and cash equivalents, restricted	173,979	190,743
Interest and dividends receivable	13,764	12,931
Investments (Notes 3 and 4)	37,469,595	33,267,284
Beneficial interest in trusts held by others (Notes 3, 7 and 9)	362,461	383,041
Loans receivable, net (Note 5)	1,454,954	1,729,198
Land and development costs	1,066,217	1,158,036
Property and equipment, net of accumulated depreciation (Note 6)	4,981,371	5,102,039
Other assets	679,205	431,704
Land held in Community Land Trust	9,014,770	8,591,684
Total assets	$ 60,911,320	$ 54,874,821
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 229,886	$ 259,667
Grants payable	13,295	-
Annuities payable	390	3,676
Unitrust obligations (Note 7)	536,300	532,633
Refundable advances	519,300	487,918
Notes payable, net of unamortized deferred financing costs (Note 8)	2,828,869	3,236,082
Total liabilities	4,128,040	4,519,976
Net assets (Notes 9 and 10):		
Without donor restrictions	38,005,441	32,786,582
With donor restrictions	18,777,839	17,568,263
Total net assets	56,783,280	50,354,845
Total liabilities and net assets	$ 60,911,320	$ 54,874,821

See notes to consolidated financial statements.

Rochester Area Foundation and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Foundations, businesses and individuals	$ 6,071,588	$ 1,250,551	$ 7,322,139
Grants	-	630,666	630,666
Investment income (Notes 3 and 4)	3,721,127	414,607	4,135,734
Loan discount accretion	-	180,033	180,033
Other	512,832	736,236	1,249,068
Change in value of split-interest agreements	-	57,407	57,407
Gain on forgiveness of debt (Note 1)	-	-	-
Rent	-	384,419	384,419
Net assets released from restrictions	2,444,343	(2,444,343)	-
Total public support and revenues	12,749,890	1,209,576	13,959,466
Expenses:			
Programs:			
Grants	5,002,217	-	5,002,217
Philanthropic and special	711,266	-	711,266
First Homes Properties	746,296	-	746,296
Impact Finance	-	-	-
Management and general	777,351	-	777,351
Fundraising	293,901	-	293,901
Total expenses	7,531,031	-	7,531,031
Changes in net assets	5,218,859	1,209,576	6,428,435
Net assets:			
Beginning of year	32,786,582	17,568,263	50,354,845
End of year	$ 38,005,441	$ 18,777,839	$ 56,783,280

See notes to consolidated financial statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
$ 4,094,790	$ 780,873	$ 4,875,663
-	1,321,556	1,321,556
2,435,040	370,525	2,805,565
-	211,000	211,000
341,994	673,926	1,015,920
-	44,385	44,385
88,776	52,138	140,914
-	320,600	320,600
1,686,302	(1,686,302)	-
8,646,902	2,088,701	10,735,603
4,931,138	-	4,931,138
523,355	-	523,355
978,656	-	978,656
20,730	-	20,730
644,430	-	644,430
223,834	-	223,834
7,322,143	-	7,322,143
1,324,759	2,088,701	3,413,460
31,461,823	15,479,562	46,941,385
$ 32,786,582	$ 17,568,263	$ 50,354,845

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Contributions received from foundations, businesses and individuals	**$ 5,945,491**	$ 6,525,899
Grants received	**630,666**	1,321,556
Interest and dividends received	**862,389**	631,099
Other receipts	**1,380,763**	1,550,057
Cash paid for grants	**(4,988,922)**	(5,026,647)
Cash paid to employees	**(728,714)**	(780,029)
Cash paid to suppliers	**(1,784,741)**	(1,842,945)
Net cash provided by operating activities	**1,316,932**	2,378,990
Cash flows from investing activities:		
Affordable housing investment	**-**	(616,546)
Purchase of land and development costs	**(1,958,972)**	(3,346,683)
Purchase of land held in community land trust	**(334,000)**	(673,000)
Proceeds from the sale of developed properties	**1,961,705**	2,725,989
Payments received on loans receivable	**627,398**	563,426
Issuance of loans receivable	**(47,230)**	(226,200)
Proceeds from sale and maturities of investment securities	**1,647,308**	225,619
Purchase of investment securities	**(1,135,849)**	(1,150,713)
Net cash provided by (used in) investing activities	**760,360**	(2,498,108)
Cash flows from financing activities:		
Principal payments on notes payable	**(407,213)**	(2,727,147)
Proceeds from notes payable	**-**	3,011,300
Net cash provided by (used in) financing activities	**(407,213)**	284,153
Net increase in cash, cash equivalents and restricted cash	**1,670,079**	165,035
Cash, cash equivalents and restricted cash:		
Beginning of year	**4,198,904**	4,033,869
End of year	**$ 5,868,983**	$ 4,198,904
Supplemental disclosure of cash flow information:		
Interest paid	**$ 109,057**	$ 118,601

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 d/b/a Impact Finance (collectively referred to as the Foundation) are nonprofit corporations organized under the laws of the state of Minnesota. 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 the greater Rochester area to secure decent and affordable housing. This work is accomplished primarily through a community land trust and Center Street Properties, LLC. 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. Impact Finance was organized to provide increased access to capital for low- and moderate-income individuals and communities in the Rochester area. Impact Finance was dissolved during the year ended December 31, 2020, and its mission and assets and liabilities were assumed by First Homes Properties. There was no activity for RAF Properties for the years ended December 31, 2021 and 2020.

Major sources of revenue include investment income, contributions and grants. Contribution revenue can vary significantly between years, as large contributions are generally made by donors on a one-time basis.

Principles of consolidation: The accompanying consolidated financial statements (collectively, the financial statements) include the activities of Rochester Area Foundation, First Homes Properties and Impact Finance. Rochester Area Foundation is the sole member of First Homes Properties, RAF Properties and Impact Finance. First Homes Properties is the sole member of Center Street Properties, LLC. All material intercompany balances and transactions have been eliminated in preparation of the financial statements.

Basis of accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenue and assets are recognized when an unconditional right to the transfer of assets exists, and expenses and liabilities are recognized when incurred. The Foundation follows accounting and reporting standards applicable to nonprofit organizations.

For financial reporting purposes, the Foundation classifies its activities as net assets without donor restrictions or net assets with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed restrictions. These are funds that are presently available for use by or on behalf of the Foundation, including amounts available for management and general expenses. These net assets may also include Board-designated amounts.

With donor restrictions: Net assets with donor restrictions 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. These can also include net assets that 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

With the application of Accounting Standards Update (ASU) No. 2016-14, the Board of Trustees of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. Historically, funds without donor restrictions were used to make whole any underwater funds. Those funds were then relieved as market gains increased the value of the fund. As a result of this standard, underwater funds are no longer being supplemented with funds without restrictions, and disbursements from the funds are suspended until the funds are no longer underwater.

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 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 regularly exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

Restricted cash and cash equivalents: The Foundation maintains cash reserves related to the note payable to the Greater Minnesota Housing Fund per the terms of the agreement. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	December 31	
	2021	2020
Cash and cash equivalents	$ 5,695,004	$ 4,008,161
Cash and cash equivalents, restricted	173,979	190,743
	$ 5,868,983	$ 4,198,904

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. At December 31, 2021 and 2020, management concluded there are no pledges receivable or all pledges receivable are collectible; therefore, no allowance for bad debts is reported.

Bad-debt expense of $0 and $1,200 was incurred for the years ended December 31, 2021 and 2020, respectively.

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

Investments in marketable and nonmarketable securities: The Foundation’s investments are stated at fair value. Some of the Foundation’s investments are reported at net asset value (NAV) as provided by the investment managers and are used as a practical expedient to estimate fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned.

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.

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 its 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 for loan losses is required at December 31, 2021 and 2020.

Fair value measurements: Certain assets are reported at fair value on a recurring basis in the 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 3 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. 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 through 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 contributions and is evaluated whenever events or changes in circumstances indicate the potential for impairment. As of December 31, 2021 and 2020, there was no impairment.

Property and equipment: Purchased items are capitalized at cost. Donated items are recorded at fair value based on an appraisal at the time of donation. Depreciation is provided over useful lives ranging from three to 40 years.

Annuities payable and unitrust obligations: Annuities payable and unitrust obligations represent 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 applicable federal rate at the date of donation as an approximation of fair value.

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

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.

Contribution revenue: The Foundation reports contributions at fair value when received or unconditionally pledged as net assets without donor restrictions, unless specifically restricted by the donor. For donor agreements involving a third party, contributions are reported as net assets without donor restrictions 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 net assets with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the consolidated statements of activities and changes in net assets as net assets released from restrictions. If the restriction is met in the period the related revenue is recognized, amounts are reported as net assets without donor restrictions. 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 upon purchase of eligible land via CLT. 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 transactions between the Foundation and the grantors and, most commonly, are included in net assets with donor restrictions. Revenue from grants is recognized according to the terms of the agreements, which commonly is when expenditures are incurred.

Other revenue: Other revenue is generated through First Homes Properties, including home sale proceeds and commission revenue.

The Foundation follows Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequent ASUs that modified Accounting Standards Codification (ASC) Topic 606. ASC 606 provides a five-step model for recognizing revenues from contracts with customers as follows:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Foundation assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Revenue from the exchange of resources of a commensurate value is recognized at a point in time, upon transfer of control to the customer.

The transaction price is the amount of consideration to which the Foundation expects to be entitled in exchange for transferring resources to the customer. For the Foundation, resources to be transferred include properties held for sale and commissionable services. Revenue is recorded based on the transaction price, which is a fixed consideration.

Payment terms on contracts are typically 30 days. As these payment terms are less than one year, the Foundation has elected the practical expedient to not consider the time value of money for its contracts.

The Foundation has elected to apply the practical expedient to expense associated costs to obtain a contract as incurred when the expected amortization period is one year or less.

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

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

Retirement benefits: The Foundation provides retirement benefits to eligible employees through a salary reduction plan, as permitted under section 403(b) of the Internal Revenue Code (IRC). The Foundation contributes 5% of the employee's salary through a Simplified Employee Pension Plan. The Foundation contributed $29,972 and $33,010 for the years ended December 31, 2021 and 2020, 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 and community land trusts, factors that impact the determination of annuities payable, unitrust obligations and charitable lead trusts, and discount on loans receivable.

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

At December 31, 2021, generally, the federal and Minnesota tax returns for the Foundation are open for examination by taxing authorities for the years 2018 to 2021. At December 31, 2021 and 2020, the Foundation did not record any liabilities for uncertain tax positions.

Subsequent events: The Foundation has evaluated subsequent events through September 14, 2022, the date of issuance of the financial statements.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Foundation beginning on January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management does not expect the adoption of the standard to have a material effect on it financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statements of income as the amounts expected to be collected change. The standard becomes effective for the Foundation in the fiscal year beginning January 1, 2023. Early adoption is allowed. Management is currently evaluating the effect that the standard will have on its financial statements.

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

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses; Topic 815, Derivatives and Hedging; and Topic 825, Financial Instruments*, which clarifies and improves guidance related to the recently issued standards on credit losses, hedging and recognition and measurement of financial instruments. The standard becomes effective for the Foundation in the fiscal year beginning January 1, 2023. Early adoption is allowed. Management is currently evaluating the effect that the standard will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which addresses the presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. This ASU is effective for the Foundation in the fiscal year beginning on January 1, 2022. Management is currently evaluating the effect that the standard will have on its financial statements.

Note 2. Liquidity and Availability

Financial assets available for general operating use without donor restrictions limiting their use within one year of the consolidated statement of financial position date comprise the following for the fiscal years ended December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 5,695,004	$ 4,008,161
Interest and dividends receivable	13,764	12,931
Investments	5,774,612	5,651,013
Beneficial interest in trusts held by others	60,943	61,238
Loans receivable	116,023	66,324
	$ 11,660,346	$ 9,799,667

As part of the Foundation's internal cash management process, the Foundation aims to maintain operating liquidity balances of at least three and up to six months of operating expenses. In addition, the Foundation regularly monitors the availability of resources required to manage liquidity, using a rolling six-month cash reconciliation and forecast model encompassing, but not limited to, operating expenses and draws from funds.

The cash reconciliation and forecasting model helps to support the management of the timing and use of commitments available to the Foundation. This is reviewed monthly by management to manage liquidity. Further, the Foundation prepares annual budgets to support this.

Note 3. 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 ASC Topic 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:

Note 3. Fair Value Measurements (Continued)

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 is based upon unobservable inputs and assumptions of the beneficial interest in trusts held by others. The methods 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.

The Foundation invests in certain alternative investments, principally funds of limited partnership interests in private equity, hedge and real estate and natural resources funds. The Foundation uses the NAV per share of its investments in alternative investments to estimate fair value. As such, alternative investments are excluded from the fair value hierarchy but are included as reconciling item to arrive at total investments.

The following tables present the financial instruments carried at fair value as of December 31, 2021 and 2020, by caption on the consolidated statements of financial position categorized by the valuation hierarchy and NAV:

Note 3. Fair Value Measurements (Continued)

	2021			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 4,820,105	$ -	$ -	$ 4,820,105
Domestic corporate obligations	1,595,684	-	-	1,595,684
Domestic equity—small/mid cap	2,704,229	-	-	2,704,229
Domestic equity—large cap	221,321	-	-	221,321
Domestic equity sectors	1,106,630	-	-	1,106,630
International equity	3,363,709	-	-	3,363,709
U.S. government obligations	26,581	-	-	26,581
Global balanced fund	8,016,540	-	-	8,016,540
Large cap common stocks	5,977,648	-	-	5,977,648
Fixed income	90,115	-	-	90,115
Total	$ 27,922,562	$ -	$ -	27,922,562
Investments recorded at fair value based on NAV				9,547,033
Total investments				$ 37,469,595
Other assets:				
Beneficial interest in trusts held by others			$ 362,461	$ 362,461

	2020			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 3,976,867	$ -	$ -	$ 3,976,867
Domestic corporate obligations	1,879,679	-	-	1,879,679
Domestic equity—small/mid cap	2,294,275	-	-	2,294,275
Domestic equity—large cap	178,249	-	-	178,249
Domestic equity sectors	870,360	-	-	870,360
International equity	2,480,729	-	-	2,480,729
U.S. government obligations	26,114	-	-	26,114
Global balanced fund	7,382,000	-	-	7,382,000
Large cap common stocks	5,401,287	-	-	5,401,287
Fixed income	144,742	-	-	144,742
Total	$ 24,634,302	$ -	$ -	24,634,302
Investments recorded at fair value based on NAV				8,632,982
Total investments				$ 33,267,284
Other assets:				
Beneficial interest in trusts held by others			$ 383,041	$ 383,041

Note 3. Fair Value Measurements (Continued)

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

	2021	2020
Fair value, January 1	$ 383,041	$ 413,800
Net purchases, issuances, contributions and capital calls	-	-
Dispositions and distributions	(60,943)	(60,371)
Market value change	40,363	29,612
Fair value, December 31	$ 362,461	$ 383,041
Net unrealized gains (losses) attributable to investments held at year-end	$ 40,363	$ 29,612

The following information pertains to those alternative investments recorded at NAV in accordance with ASC Topic 820, Fair Value Measurements and Disclosures.

At December 31, alternative investments recorded at NAV consisted of the following:

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Available)	Redemption Notice Period
Alternative investments:				
Real estate and natural resource funds (a)	$ 240,812	$ 102,254	(a)	(a)
Private equity (b)	9,306,221	-	Monthly/ Quarterly	30/60/120 days
	$ 9,547,033	$ 102,254		

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Available)	Redemption Notice Period
Alternative investments:				
Real estate and natural resource funds (a)	$ 222,753	$ 115,251	(a)	(a)
Private equity (b)	8,410,229	-	Monthly/ Quarterly	30/60/120 days
	$ 8,632,982	$ 115,251		

Note 3. Fair Value Measurements (Continued)

(a) These categories include limited partnership interests in closed-end funds that focus on 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 at the discretion of the partnership. Approximately 5% of the funds do not allow redemptions, with the remaining 95% redeemable quarterly.

(b) This category includes limited partnership interests in closed-end funds that focus on private equity and hedge fund strategies. The fair values of the investments in this category have been estimated using the NAV of the Foundation's ownership interest in partners' capital. This category utilizes proprietary risk management and asset allocation models based on mean-variance optimization techniques to produce an overall portfolio asset allocation designed to maximize the portfolio for a given level of risk. Redemptions are available monthly or quarterly with notice periods of 30, 60 or 120 days, when available.

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, 2021 and 2020, was approximately $9,307,000 and $8,410,000, respectively.

Note 4. Investments

Investments in various marketable securities at December 31, 2021 and 2020, are summarized as follows:

	2021		
	Cost	Carrying Value	Unrealized Gain (Loss)
Mutual funds:			
Blended equity income	$ 3,794,815	$ 4,820,105	$ 1,025,290
Domestic corporate obligations	1,597,414	1,595,684	(1,730)
Domestic equity—small/mid cap	2,421,507	2,704,229	282,722
Domestic equity—large cap	62,888	221,321	158,433
Domestic equity sectors	692,438	1,106,630	414,192
International equity	2,883,542	3,363,709	480,167
U.S. government obligations	28,732	26,581	(2,151)
Large cap common stocks	3,817,904	5,977,648	2,159,744
Global balanced fund	7,004,151	8,016,540	1,012,389
Fixed income	88,074	90,115	2,041
	$ 22,391,465	$ 27,922,562	$ 5,531,097

Note 4. Investments (Continued)

	2020		
	Cost	Carrying Value	Unrealized Gain (Loss)
Mutual funds:			
Blended equity income	$ 3,196,949	$ 3,976,867	$ 779,918
Domestic corporate obligations	1,798,898	1,879,679	80,781
Domestic equity—small/mid cap	2,130,882	2,294,275	163,393
Domestic equity—large cap	63,235	178,249	115,014
Domestic equity sectors	593,514	870,360	276,846
International equity	2,103,407	2,480,729	377,322
U.S. government obligations	28,746	26,114	(2,632)
Large cap common stocks	3,784,666	5,401,287	1,616,621
Global balanced fund	5,936,843	7,382,000	1,445,157
Fixed income	139,837	144,742	4,905
	$ 19,776,977	$ 24,634,302	$ 4,857,325

At December 31, 2021 and 2020, the Foundation, as trustee, holds charitable remainder trusts/unitrusts totaling approximately $866,000 and $837,000, respectively, that are included in investments. Total management fees paid to outside parties were approximately $63,000 and $61,000 for the years ended December 31, 2021 and 2020, respectively. Internal cost of the financial management of the investments are immaterial due to the contributions of in-kind services provided by trustees and volunteers with treasury services and investment expertise. As a result, the administrative fees charged to the agency and donor-advised funds are available to and support the Foundation’s community programs.

Reconciliation of investment income for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Interest and dividends from depository accounts	$ 17,285	$ 19,436
Interest and dividends from investments	842,270	550,130
Net gains	3,276,179	2,235,999
	$ 4,135,734	$ 2,805,565

Note 5. Loans Receivable

Impact Finance originated subordinated mortgage loans for single-family and multifamily development housing. During the year ended December 31, 2020, First Homes Properties assumed administration of the program and originated subordinated mortgage loans as follows:

Note 5. Loans Receivable (Continued)

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 $20,000 for up to 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 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% per annum and have up to a 30-year mortgage term, with balance of principal and interest due upon loan maturity or sale of the home, whichever comes first. Impact Finance and First Homes Properties have 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 3.41% and 6.88% 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, 2021 and 2020, a total of approximately $104,000 and $118,000, respectively, was repaid due to the sale of homes, and no loans were written off due to bank foreclosure on the primary mortgage on the home. As of December 31, 2021, all remaining loans mature between the years of 2022 and 2051, and no impairment to the loans or the underlying value of the land has been identified necessitating further credit risk evaluation.

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 3.46% to 7.00%. During the years ended December 31, 2021 and 2020, a total of approximately $523,000 and $360,000, respectively, was repaid and no loans were written off. As of December 31, 2021, all multifamily loans mature between the years of 2022 and 2046, and no impairment to the loans has been identified necessitating further credit risk evaluation.

First Homes Properties 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. First Homes Properties 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	
	2021	2020
Multifamily loans	$ 793,000	$ 1,316,200
Single-family loans	1,064,954	1,117,998
Less discount	(403,000)	(705,000)
Loans receivable, net	$ 1,454,954	$ 1,729,198

Note 6. Property and Equipment

Property and equipment consisted of the following:

	December 31	
	2021	2020
Land	$ 1,153,029	$ 1,153,029
Building and building improvements	4,159,422	4,159,422
Equipment and furniture	358,968	358,968
Accumulated depreciation	(690,048)	(569,380)
Property and equipment, net	$ 4,981,371	$ 5,102,039

Note 7. Split-Interest Agreements

Charitable remainder unitrust obligations: The Foundation is a recipient and trustee of three charitable remainder unitrusts. The agreements require the Foundation to pay beneficiaries, on a quarterly basis, returns ranging from 5.0% to 7.0% of the trust assets' fair value, determined as of each January 1. A liability of approximately $536,000 and $533,000 as of December 31, 2021 and 2020, respectively, has been recorded based on current annual required payments, using current life expectancies of the beneficiaries and discount factors of 5.0% to 7.0%. 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:

2022	$ 65,122
2023	65,421
2024	65,740
2025	59,752
2026	60,278
Thereafter	127,628
	443,941
Less present value discount	(81,480)
	$ 362,461

During the years ended December 31, 2021 and 2020, the Foundation received distributions of $60,943 and $60,371, respectively, from these trusts.

Note 8. Notes Payable

Notes payable at December 31, 2021 and 2020, consisted of the following:

	2021	2020
2.15% note payable to bank, due in monthly installments of $3,859, including interest, through March 2026 with a lump-sum payment of $416,313 due April 2026*	$ 513,711	$ 599,529
3.00% note payable to bank, all accrued interest and principal were paid in 2021	-	279,772
4.25% note payable to Greater Minnesota Housing Fund, due in monthly installments of $12,050, including interest, through February 2046 with a lump-sum payment of $531,625 due February 2046**	2,353,657	2,396,942
	2,867,368	3,276,243
Less unamortized deferred financing costs	38,499	40,161
	$ 2,828,869	$ 3,236,082

*Collateralized by substantially all assets of the Foundation
**Collateralized by a property and an interest in all leases generated by the property

Maturities of long-term debt for the years subsequent to December 31, 2021, are as follows:

Years ending December 31:	
2022	$ 77,190
2023	79,528
2024	81,665
2025	84,466
2026	430,499
Thereafter	2,114,020
	$ 2,867,368

Note 9. Net Assets

Net assets without donor restrictions are held with the following Board and donor designations as of December 31:

	2021	2020
Board-designated:		
Board-designated	$ 15,050	$ 14,239
Field of interest	2,166,891	1,143,916
Scholarship	2,033,969	1,845,567
	4,215,910	3,003,722
Donor-designated:		
Donor-designated	797,229	2,755,106
Donor-advised (nonendowment)	16,834,109	16,103,145
Agency endowment	8,713,757	4,128,664
	26,345,095	22,986,915
Without donor or board designations	7,444,436	6,795,945
	$ 38,005,441	$ 32,786,582

Note 9. Net Assets (Continued)

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2021	2020
Time-restricted based on life expectancy of donors:		
Charitable remainder unitrust	$ 252,330	$ 229,120
Charitable remainder trust	79,369	67,699
Charitable gift annuity	247,416	103,995
Charitable lead trust	362,461	383,041
	941,576	783,855
Purpose-restricted:		
First Homes Properties	13,243,445	12,135,857
Fiscal sponsors	527,606	363,846
	13,771,051	12,499,703
Endowment earnings for Rochester community	404,238	308,355
Housing initiative	615,838	997,799
Preschool children	687,889	656,850
Higher learning	33,760	29,931
Disabled individuals	401,843	370,126
	2,143,568	2,363,061
Net assets held in perpetuity:		
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
Total net assets with donor restrictions	$ 18,777,839	$ 17,568,263

Note 10. Endowment

The Foundation's endowment consists of 330 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 U.S. 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 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

Note 10. Endowment (Continued)

Changes in endowment net assets for the years ended December 31, 2021 and 2020, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2019	$ 9,116,690	$ 3,736,118	$ 12,852,808
Investment return, investment change	1,312,116	337,239	1,649,355
Reclassifications	-	290	290
Contributions	1,641,705	633,453	2,275,158
Appropriation of endowment funds (net of fees and reimbursements)	(1,916,361)	(422,395)	(2,338,756)
Change in without donor or board designations	(266,658)	-	(266,658)
Balance, December 31, 2020	9,887,492	4,284,705	14,172,197
Investment return, investment change	1,670,366	356,421	2,026,787
Reclassifications	-	-	-
Contributions	6,477,524	437,719	6,915,243
Appropriation of endowment funds (net of fees and reimbursements)	(3,630,754)	(1,013,633)	(4,644,387)
Change in without donor or board designations	(677,732)	-	(677,732)
Balance, December 31, 2021	$ 13,726,896	$ 4,065,212	$ 17,792,108

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 7.5% annually. The 7.5% is based on achieving a 5.0% real return plus inflation of 2.5% on an annualized basis over the long-term. This long-term target is reviewed by the Investment Committee annually for its reasonability and, if necessary, adjusted to reflect changes in the Foundation's long-term outlook. Within the portfolio, on a one-, three- and five-year basis, investment returns of individual managers are compared to manager-specific benchmarks to evaluate their performance and role in fulfilling the Foundation's long-term investment target. 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.

Note 10. Endowment (Continued)

The Foundation has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value over the prior 16 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 with the pace of inflation. 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. Functional Expenses

The financial statements present certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Natural expenses attributable to more than one functional expense category are allocated based on salary expense. The expenses reported in the consolidated statements of activities and changes in net assets for the years ended December 31, 2021 and 2020, supported the following programs and functions:

	2021			
		Support Services		
	Program Services	Management and General	Fundraising Expenses	Total Expenses
Grants	$ 5,002,217	$ -	$ -	$ 5,002,217
Net program expense—rehabilitated homes	183,201	-	-	183,201
Net program expense—affordable housing	152,799	-	-	152,799
Valuation adjustment	4,000	-	-	4,000
Personnel	389,974	241,862	96,878	728,714
Printing and postage	376	1,970	205	2,551
Supplies	10,034	10,403	1,008	21,445
Telephone	9,611	6,223	431	16,265
Repair and maintenance	119,579	54,818	13,927	188,324
Depreciation	57,100	51,880	11,688	120,668
Professional fees	192,069	133,580	64,760	390,409
Dues and subscriptions	3,705	10,293	1,181	15,179
Board and committee meetings	1,652	12,531	1,358	15,541
Travel	1,754	656	107	2,517
Real estate taxes	21,701	7,233	-	28,934
Interest and other	310,007	245,902	102,358	658,267
Total	$ 6,459,779	$ 777,351	$ 293,901	$ 7,531,031

Note 11. Functional Expenses (Continued)

	2020			
		Support Services		
	Program Services	Management and General	Fundraising Expenses	Total Expenses
Grants	$ 4,931,138	$ -	$ -	$ 4,931,138
Net program expense—rehabilitated homes	386,115	-	-	386,115
Net program expense—affordable housing	132,120	-	-	132,120
Valuation adjustment	82,000	-	-	82,000
Personnel	418,315	259,793	101,921	780,029
Printing and postage	-	3,140	349	3,489
Supplies	6,167	5,104	439	11,710
Telephone	10,695	7,105	512	18,312
Repair and maintenance	70,202	31,798	8,035	110,035
Depreciation	58,611	52,438	12,883	123,932
Professional fees	207,510	145,799	71,549	424,858
Dues and subscriptions	8,799	9,797	895	19,491
Board and committee meetings	2,548	19,516	2,173	24,237
Travel	1,625	719	266	2,610
Real estate taxes	25,039	8,346	-	33,385
Interest and other	112,995	100,875	24,812	238,682
Total	$ 6,453,879	$ 644,430	$ 223,834	$ 7,322,143

Note 12. Affordable Housing Investment

On February 19, 2020, First Homes Properties purchased a 100% interest in Center Street Properties, LLC. The purchase was funded with a capital contribution of $780,546 from First Homes Properties and debt totaling $2,425,000 from the Greater Minnesota Housing Fund. The creation of Center Street Properties, LLC, was a requirement of the Greater Minnesota Housing Fund to secure the debt funding. Center Street Properties, LLC, is the sole owner of the Center Street Apartments located in Rochester, Minnesota, and provides affordable housing to the greater Rochester area. The activities conducted by Center Street Properties, LLC is considered a program of First Homes Properties. The assets and liabilities and activities of Center Street Properties, LLC is fully consolidated within First Homes Properties. The financial position of Center Street Properties, LLC and activities for the years ended December 31, 2021 and 2020, are summarized below:

	2021	2020
Assets:		
Cash	$ 9,820	$ 5,426
Restricted cash	173,979	190,743
Land	913,360	913,360
Building, net	1,991,002	2,043,168
Other	6,547	11,260
Total assets	$ 3,094,708	$ 3,163,957
Liabilities:		
Accounts payable and accrued expenses	$ 13,713	$ 23,765
Tenant security deposits	31,190	22,583
Mortgage, net of deferred financing costs	2,315,158	2,356,781
Total liabilities	2,360,061	2,403,129
Member's equity	734,647	760,828
Total liabilities and member’s equity	$ 3,094,708	$ 3,163,957
Revenues:		
Rent revenue	$ 384,419	$ 320,600
Interest income	352	549
Total revenues	384,771	321,149
Expenses:		
Operating expenses	152,799	132,120
General and administrative	73,786	41,613
Depreciation and amortization	53,828	44,857
Real estate tax	28,934	33,385
Interest expense	101,605	88,892
Total expenses	410,952	340,867
Net loss	$ (26,181)	$ (19,718)

Note 12. Affordable Housing Investment (Continued)

A rollforward of Center Street Properties, LLC member's equity is presented below:

	2021	2020
Balance January 1	$ 760,828	$ -
Capital contribution	-	780,546
Net loss	(26,181)	(19,718)
Balance December 31	$ 734,647	$ 760,828

Rochester Area Foundation and Affiliates

Consolidating Schedule of Financial Position
December 31, 2021

	Endowment	First Homes Properties	Total
Assets			
Cash and cash equivalents	$ 4,022,990	$ 1,672,014	$ 5,695,004
Cash and cash equivalents, restricted	-	173,979	173,979
Interest and dividends receivable	833	12,931	13,764
Due from affiliates	635,111	-	635,111
Investments	37,469,595	-	37,469,595
Beneficial interest in trusts held by others	362,461	-	362,461
Loans receivable, net	-	1,454,954	1,454,954
Land and development costs	-	1,066,217	1,066,217
Property and equipment, net of accumulated depreciation	2,077,009	2,904,362	4,981,371
Other assets	548,722	130,483	679,205
Land held in Community Land Trust	-	9,014,770	9,014,770
Total assets	$ 45,116,721	$ 16,429,710	$ 61,546,431
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 169,244	$ 60,642	$ 229,886
Grants payable	13,295	-	13,295
Annuities payable	390	-	390
Unitrust obligations	536,300	-	536,300
Refundable advances	519,300	-	519,300
Notes payable	513,711	2,315,158	2,828,869
Due to affiliates	-	635,111	635,111
Total liabilities	1,752,240	3,010,911	4,763,151
Net assets:			
Without donor restrictions	37,830,087	175,354	38,005,441
With donor restrictions	5,534,394	13,243,445	18,777,839
Total net assets	43,364,481	13,418,799	56,783,280
Total liabilities and net assets	$ 45,116,721	$ 16,429,710	$ 61,546,431

Eliminations	Consolidated Total
$ -	$ 5,695,004
-	173,979
-	13,764
(635,111)	-
-	37,469,595
-	362,461
-	1,454,954
-	1,066,217
-	4,981,371
-	679,205
-	9,014,770
$ (635,111)	$ 60,911,320
$ -	$ 229,886
-	13,295
-	390
-	536,300
-	519,300
-	2,828,869
(635,111)	-
(635,111)	4,128,040
-	38,005,441
-	18,777,839
-	56,783,280
$ (635,111)	$ 60,911,320

Rochester Area Foundation and Affiliates

Consolidating Schedule of Financial Position
December 31, 2020

	Endowment	First Homes Properties	Total
Assets			
Cash and cash equivalents	$ 3,402,981	$ 605,180	$ 4,008,161
Cash and cash equivalents, restricted	-	190,743	190,743
Interest and dividends receivable	-	12,931	12,931
Due from affiliates	525,633	61,604	587,237
Investments	33,267,284	-	33,267,284
Beneficial interest in trusts held by others	383,041	-	383,041
Loans receivable, net	-	1,729,198	1,729,198
Land and development costs	-	1,158,036	1,158,036
Property and equipment, net of accumulated depreciation	2,145,511	2,956,528	5,102,039
Other assets	285,980	145,724	431,704
Land held in Community Land Trust	-	8,591,684	8,591,684
Total assets	$ 40,010,430	$ 15,451,628	$ 55,462,058
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 206,082	$ 53,585	$ 259,667
Grants payable	-	-	-
Annuities payable	3,676	-	3,676
Unitrust obligations	532,633	-	532,633
Refundable advances	487,918	-	487,918
Notes payable	599,529	2,636,553	3,236,082
Due to affiliates	61,604	525,633	587,237
Total liabilities	1,891,442	3,215,771	5,107,213
Net assets:			
Without donor restrictions	32,686,582	100,000	32,786,582
With donor restrictions	5,432,406	12,135,857	17,568,263
Total net assets	38,118,988	12,235,857	50,354,845
Total liabilities and net assets	$ 40,010,430	$ 15,451,628	$ 55,462,058

Eliminations	Consolidated Total
$ -	$ 4,008,161
-	190,743
-	12,931
(587,237)	-
-	33,267,284
-	383,041
-	1,729,198
-	1,158,036
-	5,102,039
-	431,704
-	8,591,684
$ (587,237)	$ 54,874,821
$ -	$ 259,667
-	-
-	3,676
-	532,633
-	487,918
-	3,236,082
(587,237)	-
(587,237)	4,519,976
-	32,786,582
-	17,568,263
-	50,354,845
$ (587,237)	$ 54,874,821

Rochester Area Foundation and Affiliates

Consolidating Schedule of Activities
December 31, 2021

	Endowment	First Homes Properties	Total
Changes in net assets without donor restrictions:			
Public support and revenues:			
Foundation, businesses and individuals	$ 6,090,588	$ -	$ 6,090,588
Investment income	3,721,127	-	3,721,127
Other	437,478	75,354	512,832
Net assets released from restrictions	1,452,096	992,247	2,444,343
Total net assets without donor restrictions public support and revenues	11,701,289	1,067,601	12,768,890
Expenses:			
Programs:			
Grants	5,021,217	-	5,021,217
Philanthropic and special	711,266	-	711,266
First Homes Properties	-	746,296	746,296
Management and general	554,649	222,702	777,351
Fundraising	270,652	23,249	293,901
Dissolution of Impact Finance	-	-	-
Total expenses	6,557,784	992,247	7,550,031
Change in net assets without donor restrictions	5,143,505	75,354	5,218,859
Changes in net assets with donor restrictions:			
Foundation, businesses and individuals	791,064	459,487	1,250,551
Grants	286,000	344,666	630,666
Investment income	397,322	17,285	414,607
Rent	-	384,419	384,419
Loan discount accretion	-	180,033	180,033
Other	22,291	713,945	736,236
Change in value of split-interest agreements	57,407	-	57,407
Net assets released from restrictions	(1,452,096)	(992,247)	(2,444,343)
Change in net assets with donor restrictions	101,988	1,107,588	1,209,576
Change in net assets	5,245,493	1,182,942	6,428,435
Net assets, beginning	38,118,988	12,235,857	50,354,845
Net assets, ending	$ 43,364,481	$ 13,418,799	$ 56,783,280

Eliminations	Consolidated Total
$ (19,000)	$ 6,071,588
-	3,721,127
-	512,832
-	2,444,343
(19,000)	12,749,890
(19,000)	5,002,217
-	711,266
-	746,296
-	777,351
-	293,901
-	-
(19,000)	7,531,031
-	5,218,859
-	1,250,551
-	630,666
-	414,607
-	384,419
-	180,033
-	736,236
-	57,407
-	(2,444,343)
-	1,209,576
-	6,428,435
-	50,354,845
$ -	$ 56,783,280

Rochester Area Foundation and Affiliates

Consolidating Schedule of Activities
December 31, 2020

	Endowment	First Homes Properties	Impact Finance
Changes in net assets without donor restrictions:			
Public support and revenues:			
Foundation, businesses and individuals	$ 4,094,790	$ -	$ -
Investment income	2,435,040	-	-
Other	341,994	100,000	-
Gain on forgiveness of debt	88,776	-	-
Net assets released from restrictions	887,190	1,217,281	1,198,757
Total net assets without donor restrictions public support and revenues	7,847,790	1,317,281	1,198,757
Expenses:			
Programs:			
Grants	5,381,138	-	-
Philanthropic and special	523,355	-	-
First Homes Properties	-	978,656	-
Impact Finance	-	-	20,730
Management and general	418,180	215,149	11,101
Fundraising	200,358	23,476	-
Dissolution of Impact Finance	-	-	1,266,926
Total expenses	6,523,031	1,217,281	1,298,757
Change in net assets without donor restrictions	1,324,759	100,000	(100,000)
Changes in net assets with donor restrictions:			
Foundation, businesses and individuals	681,504	99,369	-
Grants	444,335	1,277,221	50,000
Investment income	351,089	7,078	12,358
Rent	-	320,600	-
Loan discount accretion	-	-	211,000
Other	263,543	408,340	2,043
Change in value of split-interest agreements	44,385	-	-
Dissolution of Impact Finance	-	1,166,926	-
Gain on forgiveness of debt	-	47,911	4,227
Net assets released from restrictions	(887,190)	(1,217,281)	(1,198,757)
Change in net assets with donor restrictions	897,666	2,110,164	(919,129)
Change in net assets	2,222,425	2,210,164	(1,019,129)
Net assets, beginning	35,896,563	10,025,693	1,019,129
Net assets, ending	$ 38,118,988	$ 12,235,857	$ -

Total	Eliminations	Consolidated Total
$ 4,094,790	$ -	$ 4,094,790
2,435,040	-	2,435,040
441,994	(100,000)	341,994
88,776	-	88,776
3,303,228	(1,616,926)	1,686,302
10,363,828	(1,716,926)	8,646,902
5,381,138	(450,000)	4,931,138
523,355	-	523,355
978,656	-	978,656
20,730	-	20,730
644,430	-	644,430
223,834	-	223,834
1,266,926	(1,266,926)	-
9,039,069	(1,716,926)	7,322,143
1,324,759	-	1,324,759
780,873	-	780,873
1,771,556	(450,000)	1,321,556
370,525	-	370,525
320,600	-	320,600
211,000	-	211,000
673,926	-	673,926
44,385	-	44,385
1,166,926	(1,166,926)	-
52,138	-	52,138
(3,303,228)	1,616,926	(1,686,302)
2,088,701	-	2,088,701
3,413,460	-	3,413,460
46,941,385	-	46,941,385
$ 50,354,845	$ -	$ 50,354,845

Rochester Area Foundation and Affiliates

Schedule of Endowment Expenses Before Eliminations
Year Ended December 31, 2021 With Comparative Total for Year Ended December 31, 2020

	2021				
		Support Services			
	Program	Management and General	Fundraising Expenses	Total	2020 Total
Grants	$ 5,021,217	$ -	$ -	$ 5,021,217	$ 5,381,138
Personnel	218,524	162,731	83,690	464,945	492,798
Donor relations:					
Printing and postage	-	1,845	205	2,050	3,489
Office and equipment:					
Supplies	9,075	10,084	1,008	20,167	8,776
Telephone	3,881	4,313	431	8,625	10,249
Repair and maintenance	36,364	27,080	13,927	77,371	44,639
Depreciation	20,445	15,224	7,830	43,499	51,442
	69,765	56,701	23,196	149,662	115,106
Administration:					
Professional fees	169,095	125,922	64,760	359,777	397,496
Dues and subscriptions	1,181	9,452	1,181	11,814	8,952
Board and committee meetings	1,358	10,868	1,358	13,584	21,734
Travel	269	161	107	537	1,330
Depreciation, interest and other	251,074	186,969	96,155	534,198	100,988
	422,977	333,372	163,561	919,910	530,500
Total	$ 5,732,483	$ 554,649	$ 270,652	$ 6,557,784	$ 6,523,031

Rochester Area Foundation and Affiliates

Schedule of First Homes Properties Expenses Before Eliminations
Year Ended December 31, 2021 With Comparative Total for Year Ended December 31, 2020

	2021				
		Support Services			
	Program	Management and General	Fundraising Expenses	Total	2020 Total
Mortgage and development activities:					
Net program expense—rehabilitated homes	**$ 183,201**	**$ -**	**$ -**	**$ 183,201**	$ 386,115
Valuation adjustment	**4,000**	**-**	**-**	**4,000**	82,000
Net program expense—affordable housing	**152,799**	**-**	**-**	**152,799**	132,120
	340,000	**-**	**-**	**340,000**	600,235
Personnel	**171,450**	**79,131**	**13,188**	**263,769**	264,342
Donor relations:					
Printing and postage	**376**	**125**	**-**	**501**	-
Office and equipment:					
Supplies	**959**	**319**	**-**	**1,278**	2,755
Telephone	**5,730**	**1,910**	**-**	**7,640**	7,704
Repair and maintenance	**83,215**	**27,738**	**-**	**110,953**	63,644
Depreciation and amortization	**36,655**	**36,656**	**3,858**	**77,169**	72,490
	126,559	**66,623**	**3,858**	**197,040**	146,593
Administration:					
Professional fees	**22,974**	**7,658**	**-**	**30,632**	25,707
Dues and subscriptions	**2,524**	**841**	**-**	**3,365**	10,539
Board and committee meetings	**294**	**1,663**	**-**	**1,957**	2,503
Travel	**1,485**	**495**	**-**	**1,980**	1,280
Real estate taxes	**21,701**	**7,233**	**-**	**28,934**	33,385
Interest and other	**58,933**	**58,933**	**6,203**	**124,069**	132,697
	107,911	**76,823**	**6,203**	**190,937**	206,111
Total	**$ 746,296**	**$ 222,702**	**$ 23,249**	**$ 992,247**	$ 1,217,281

Rochester Area Foundation and Affiliates

Schedule of Impact Finance Expenses Before Eliminations
Year Ended December 31, 2021 With Comparative Total for Year Ended December 31, 2020

	2021				
		Support Services			
	Program	Management and General	Fundraising Expenses	Total	2020 Total
Mortgage and development activities:					
Valuation adjustment	$ -	$ -	$ -	$ -	$ -
Personnel	-	-	-	-	22,889
Office and equipment:					
Supplies	-	-	-	-	179
Telephone	-	-	-	-	359
Repair and maintenance	-	-	-	-	1,752
	-	-	-	-	2,290
Administration:					
Professional fees	-	-	-	-	1,655
Board and committee meetings	-	-	-	-	-
Depreciation, interest and other	-	-	-	-	4,997
Dissolution of Impact Finance	-	-	-	-	1,266,926
	-	-	-	-	1,273,578
Total	$ -	$ -	$ -	$ -	$ 1,298,757