Rochester Area Foundation and Affiliates

Consolidated Financial Report
December 31, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Trustees
Rochester Area Foundation and Affiliates

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, 2016 and 2015, 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, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Area Foundation and Affiliates as of December 31, 2016 and 2015, and the results of its operations 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 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 audit 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.

RSM US LLP

Rochester, Minnesota
May 19, 2017

Rochester Area Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	**$ 2,917,287**	$ 1,233,462
Interest and dividends receivable	**43,401**	12,899
Pledges receivable, net (Note 4)	**355,812**	542,112
Investments in marketable securities (Notes 2 and 3)	**25,392,406**	25,330,984
Beneficial interest in trusts held by others (Notes 2, 7 and 9)	**502,100**	533,206
Loans receivable, net (Note 5)	**2,030,805**	2,478,153
Land and development costs	**79,918**	245,038
Property and equipment, net of accumulated depreciation (Note 6)	**2,446,191**	876,069
Other assets	**127,773**	126,108
Land held in Community Land Trust	**7,943,584**	7,953,584
Total assets	**$ 41,839,277**	$ 39,331,615
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 20,077**	$ 113,499
Grants payable	**67,700**	72,976
Annuities payable	**69,459**	87,520
Unitrust obligations (Note 7)	**559,000**	555,000
Refundable advances	**579,891**	540,483
Line of credit (Note 8)	**-**	201,794
Notes payable (Note 8)	**1,288,265**	567,686
Total liabilities	**2,584,392**	2,138,958
Commitments (Notes 2 and 11)		
Net assets (Notes 9 and 10):		
Unrestricted	**24,700,166**	22,561,248
Temporarily restricted	**12,633,075**	12,709,765
Permanently restricted	**1,921,644**	1,921,644
Total net assets	**39,254,885**	37,192,657
Total liabilities and net assets	**$ 41,839,277**	$ 39,331,615

See notes to consolidated financial statements.

Rochester Area Foundation and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Foundations, corporations and individuals	$ 3,024,683	$ 65,818	$ -	$ 3,090,501
Grants	-	183,624	-	183,624
Investment income (loss) (Notes 2 and 3)	1,072,694	27,337	-	1,100,031
Loan discount accretion	-	76,724	-	76,724
Other	34,452	247,209	-	281,661
Change in value of split interest agreements	-	27,067	-	27,067
Net assets released from restriction	704,469	(704,469)	-	-
Total public support and revenues	4,836,298	(76,690)	-	4,759,608
Expenses:				
Programs:				
Grants	1,542,740	-	-	1,542,740
Philanthropic and special	162,007	-	-	162,007
First Homes Properties	175,680	-	-	175,680
Impact Finance	41,100	-	-	41,100
Management and general	647,610	-	-	647,610
Fundraising	128,243	-	-	128,243
Total expenses	2,697,380	-	-	2,697,380
Change in net assets	2,138,918	(76,690)	-	2,062,228
Net assets:				
Beginning of year	22,561,248	12,709,765	1,921,644	37,192,657
End of year	$ 24,700,166	$ 12,633,075	$ 1,921,644	$ 39,254,885

See notes to consolidated financial statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,193,134	$ 1,411,364	$ -	$ 2,604,498
-	17,000	-	17,000
(263,630)	(336,792)	-	(600,422)
-	76,408	-	76,408
20,466	44,935	-	65,401
-	(38,030)	-	(38,030)
17,732	(17,732)	-	-
967,702	1,157,153	-	2,124,855
1,550,450	-	-	1,550,450
178,773	-	-	178,773
115,194	-	-	115,194
40,247	-	-	40,247
531,113	-	-	531,113
143,505	-	-	143,505
2,559,282	-	-	2,559,282
(1,591,580)	1,157,153	-	(434,427)
24,152,828	11,552,612	1,921,644	37,627,084
$ 22,561,248	$ 12,709,765	$ 1,921,644	$ 37,192,657

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Contributions received from foundations, corporations and individuals	**$ 2,018,141**	$ 1,754,626
Grants received	**183,624**	17,000
Interest and dividends received	**257,126**	207,421
Other (payments) receipts	**(215,278)**	72,112
Cash paid for grants	**(1,548,016)**	(1,526,269)
Cash paid to employees	**(635,461)**	(622,604)
Cash paid to suppliers	**(614,802)**	(341,726)
Net cash used in operating activities	**(554,666)**	(439,440)
Cash flows from investing activities:		
Purchase of property and equipment	**(1,647,124)**	(885,230)
Purchase of land and development projects	**(27,298)**	(84,153)
Proceeds from developed properties	**188,418**	277,243
Sale of land held in community land trust	**10,000**	30,000
Payments received on loans receivable	**1,126,817**	167,443
Issuance of loans receivable	**(26,469)**	(7,638)
Proceeds from sale and maturities of investment securities	**3,469,011**	1,577,790
Purchase of investment securities	**(1,373,649)**	(519,923)
Net cash provided by investing activities	**1,719,706**	555,532
Cash flows from financing activities:		
Principal payments of notes payable	**(551,421)**	(280,580)
Net change in line of credit	**(201,794)**	201,794
Proceeds from notes payable	**1,272,000**	-
Net cash provided by (used in) financing activities	**518,785**	(78,786)
Net increase in cash and cash equivalents	**1,683,825**	37,306
Cash and cash equivalents:		
Beginning	**1,233,462**	1,196,156
Ending	**$ 2,917,287**	$ 1,233,462

(Continued)

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of change in net assets to net cash used in operating Activities:		
Change in net assets	**$ 2,062,228**	$ (434,427)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation expense	**77,002**	13,648
Change in valuation allowance on loans and contributions	**4,000**	(16,000)
Net unrealized and realized (gains) loss on investments	**(812,403)**	807,753
Noncash donation of investments	**(1,316,153)**	(616,756)
Discount on loans receivable, net of accretion	**(653,000)**	(73,000)
Change in value of split interest agreements	**(27,067)**	38,030
Changes in assets and liabilities:		
Increase (decrease) in receivables	**155,798**	(296,522)
Decrease in other assets	**55,828**	69,151
(Decrease) increase in payables and accrued expenses	**(116,759)**	127,108
Decrease in unitrust obligations	**(23,548)**	(48,827)
Increase (decrease) in refundable advances	**39,408**	(9,598)
Net cash used in operating activities	**$ (554,666)**	$ (439,440)

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 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. Impact Finance 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, 2016 and 2015.

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 Impact Finance. Rochester Area Foundation is the sole member of First Homes Properties, RAF Properties and Impact Finance. 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 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.

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, 2016 and 2015, management concluded that all pledges receivable are collectable, therefore no allowance for bad debts is reported.

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

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.

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 their current judgment about the credit quality of the loan portfolio and considers all known relevant internal and external factors that affect collectability as of the reporting date. Management has determined that no allowance for loan losses is required at December 31, 2016 and 2015.

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.

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 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.

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

Property, equipment and leasehold improvements: 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 30 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.

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.

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 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 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.

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 $18,869 and $17,219 for the years ending December 31, 2016 and 2015, 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.

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

At December 31, 2016, generally, the federal and Minnesota tax returns for the Foundation are open for examination by taxing authorities for the years 2014 to 2016. At December 31, 2016 and 2015, the Foundation did not record any liabilities for uncertain tax positions.

Recent Accounting Pronouncements: In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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. Contribution public support revenue has been scoped out of this ASU, therefore only the other revenue sources of the Foundation will be impacted by the ASU. 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 Foundation for the year beginning January 1, 2019. Management has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In May 2015, FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU is effective for the year beginning January 1, 2018. As ASU 2015-07 only amends and eliminates certain disclosures, management does not anticipate its adoption will have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10)*. The ASU applies to all entities that hold financial assets or owe financial liabilities and represents the finalization of just one component of the FASB's broader financial instruments project. The most far-reaching ramification of the ASU is the elimination of the available-for-sale classification for equity securities and a new requirement to carry those equity securities with readily determinable fair values at fair value through net income. Other notable changes brought about by the ASU involve: (a) applying a practicability exception from fair value accounting to equity securities that do not have a readily determinable fair value, (b) assessing the need for a valuation allowance for a deferred tax asset related to an available-for-sale debt security, (c) applying the fair value option to liabilities and the treatment of changes in fair value attributable to instrument-specific credit risk, and (d) adding disclosures and eliminating certain disclosures. The standard becomes effective for the Foundation in fiscal year beginning January 1, 2020. Early implementation is allowed. Management is currently evaluating the effect that the standard will have on its financial statements.

In June 2016, the FASB issued ASU 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 statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning January 1, 2021. Early adoption is allowed. Management does not anticipate its adoption will have a material impact on its consolidated financial statements.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning January 1, 2019. Early adoption is allowed. Management does not anticipate its adoption will have a material impact on its consolidated financial statements.

Subsequent events: The consolidated financial statements and related disclosures include evaluation of events up through and including May 19, 2017 which is the date the consolidated financial statements were available to be issued.

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.

Note 2. Fair Value Measurements (Continued)

- 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, 2016 and 2015, are summarized as follows:

	2016			
	Level 1	Level 2	Level 3	Total Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 2,888,038	$ -	$ -	$ 2,888,038
Domestic corporate obligations	888,229	-	-	888,229
Domestic equity—small/mid cap	761,938	-	-	761,938
Domestic equity—large cap	230,926	-	-	230,926
Domestic equity sectors	487,581	-	-	487,581
International corporate obligations	15,919	-	-	15,919
International equity	2,084,030	-	-	2,084,030
U.S. government obligations	20,466	-	-	20,466
Global balanced fund	5,516,232	-	-	5,516,232
Large cap common stocks	4,814,197	-	-	4,814,197
Alternative investments:				
Hedge funds	-	-	150,001	150,001
Real estate and natural resource funds	-	-	614,307	614,307
Private equity	-	-	6,920,542	6,920,542
Total investments in marketable securities	17,707,556	-	7,684,850	25,392,406
Other assets:				
Beneficial interest in trusts held by others	-	-	502,100	502,100
Total	$ 17,707,556	$ -	$ 8,186,950	$ 25,894,506

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 2,916,343	$ -	$ -	$ 2,916,343
Domestic corporate obligations	857,315	-	-	857,315
Domestic equity—small/mid cap	715,357	-	-	715,357
Domestic equity—large cap	207,033	-	-	207,033
Domestic equity sectors	419,676	-	-	419,676
International corporate obligations	16,393	-	-	16,393
International equity	1,927,913	-	-	1,927,913
U.S. government obligations	33,693	-	-	33,693
Global balanced fund	5,916,694	-	-	5,916,694
Large cap common stocks	4,555,735	-	-	4,555,735
Alternative investments:				
Hedge funds	-	-	206,596	206,596
Real estate and natural resource funds	-	-	870,788	870,788
Private equity	-	-	6,687,448	6,687,448
Total investments in marketable securities	17,566,152	-	7,764,832	25,330,984
Other assets:				
Beneficial interest in trusts held by others	-	-	533,206	533,206
Total	$ 17,566,152	$ -	$ 8,298,038	$ 25,864,190

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:

	2016				
	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Other	Total
Fair value January 1, 2016	$ 206,596	$ 870,788	$ 6,687,448	$ 533,206	$ 8,298,038
Net purchases, issuances, contributions and capital calls	-	-	-	-	-
Dispositions and distributions	(48,305)	(211,351)	-	(57,493)	(317,149)
Market value change	(8,290)	(45,130)	233,094	26,387	206,061
Fair value December 31, 2016	$ 150,001	$ 614,307	$ 6,920,542	$ 502,100	$ 8,186,950
Net unrealized gains (losses) attributable to investments held at year end	$ (8,290)	$ (45,130)	$ 233,094	$ 26,387	$ 206,061

	2015				
	Hedge Funds	Real Estate and Natural Resource Funds	Private Equity	Other	Total
Fair value January 1, 2015	$ 275,574	$ 1,291,704	$ 6,688,471	$ 619,369	$ 8,875,118
Net purchases, issuances, contributions and capital calls	-	-	300,000	-	300,000
Disposition of investments	(69,576)	(426,895)	-	(63,495)	(559,966)
Market value change	598	5,979	(301,023)	(22,668)	(317,114)
Fair value December 31, 2015	$ 206,596	$ 870,788	$ 6,687,448	$ 533,206	$ 8,298,038
Net unrealized gains attributable to investments held at year end	$ 598	$ 5,979	$ (301,023)	$ (22,668)	$ (317,114)

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:

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Alternative investments:				
Hedge funds (a)	$ 150,001	$ -	Not available	Upon liquidation
Real estate and natural resource funds (b)	614,307	118,074	(b)	(b)
Private equity	6,920,542	-	Monthly/ Quarterly	30/60 days
	$ 7,684,850	$ 118,074		

Note 2. Fair Value Measurements (Continued)

(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 include 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 10 percent of the funds do not allow redemptions, with the remaining 90 percent redeemable quarterly.

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, 2016 and 2015, was approximately $6,921,000 and $6,687,000, respectively.

Note 3. Investments in Marketable Securities

Investments in marketable securities at December 31, 2016 and 2015, are summarized as follows:

	2016		
	Cost	Carrying Value	Unrealized Gain/(Loss)
Mutual funds:			
Blended equity income	$ 2,748,305	$ 2,888,038	$ 139,733
Domestic corporate obligations	906,927	888,229	(18,698)
Domestic equity—small/mid cap	700,289	761,938	61,649
Domestic equity—large cap	150,678	230,926	80,248
Domestic equity sectors	410,294	487,581	77,287
International corporate obligations	18,840	15,919	(2,921)
International equity	2,760,429	2,084,030	(676,399)
U.S. government obligations	21,491	20,466	(1,025)
Large cap common stocks	4,117,053	4,814,197	697,144
Global balanced fund	6,570,630	5,516,232	(1,054,398)
Alternative investments:			
Hedge funds	271,417	150,001	(121,416)
Real estate and natural resource funds	2,624,418	614,307	(2,010,111)
Private equity	6,600,000	6,920,542	320,542
	$ 27,900,771	$ 25,392,406	$ (2,508,365)

Note 3. Investments in Marketable Securities (Continued)

	2015		
	Cost	Carrying Value	Unrealized Gain/(Loss)
Mutual funds:			
Blended equity income	$ 2,770,511	$ 2,916,343	$ 145,832
Domestic corporate obligations	906,927	857,315	(49,612)
Domestic equity—small/mid cap	700,289	715,357	15,068
Domestic equity—large cap	150,704	207,033	56,329
Domestic equity sectors	381,093	419,676	38,583
International corporate obligations	18,840	16,393	(2,447)
International equity	2,124,870	1,927,913	(196,957)
U.S. government obligations	33,380	33,693	313
Large cap common stocks	4,018,765	4,555,735	536,970
Global balanced fund	6,435,649	5,916,694	(518,955)
Alternative investments:			
Hedge funds	319,722	206,596	(113,126)
Real estate and natural resource funds	2,751,285	870,788	(1,880,497)
Private equity	6,600,000	6,687,448	87,448
	$ 27,212,035	$ 25,330,984	$ (1,881,051)

At December 31, 2016 and 2015, the Foundation, as trustee, holds charitable remainder trusts/unitrusts totaling approximately $842,000 and $837,000, respectively that are included in investments.

Reconciliation of investment income (loss) for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Interest and dividends from depository accounts	$ 40,724	$ 28,871
Interest and dividends from investments	218,676	203,996
Net gains (losses)	889,087	(788,107)
Investment fees (individually identified)	(48,456)	(45,182)
	$ 1,100,031	$ (600,422)

Note 4. Pledges Receivable

Long-term pledges receivable are recognized at net realizable value, using present value techniques and a discount rate of 5 percent.

	2016	2015
Total pledges	$ 375,812	$ 572,112
Less discount applied to long-term pledges	(20,000)	(30,000)
Pledge receivable, net	$ 355,812	$ 542,112

Note 4. Pledges Receivable (Continued)

As of December 31, 2016, pledges receivable are expected to be collected in the following periods:

2017	$	154,320
2018		178,350
2019		43,142
	$	375,812

Note 5. Loans Receivable

Impact 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 $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 percent 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 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 3.41 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, 2016 and 2015, a total of approximately $132,000 and $127,000, respectively, were 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, 2016, all remaining loans mature between the years of 2020 and 2046, 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 percent to 7.6 percent. As of December 31, 2016, all multifamily loans mature between the years of 2020 and 2046, 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 were paid in full during the year ended December 31, 2016.

Note 5. Loans Receivable (Continued)

Impact Finance 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. Impact Finance 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	
	2016	2015
Multifamily loans	$ 1,926,200	$ 2,871,200
Single-family loans	1,290,605	1,370,651
Contract for deed	-	146,302
Less discount	(1,186,000)	(1,910,000)
Loans receivable, net	$ 2,030,805	$ 2,478,153

Under the terms of the refinanced debt with the GMHF (see Note 8), 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. Property and Equipment

Property and equipment as of December 31, 2016 and 2015, consisted of the following:

	2016	2015
Land	$ 239,669	$ -
Building improvements	667,782	839,143
Equipment and furniture	320,613	146,797
Building and improvements	1,405,000	-
Accumulated depreciation	(186,873)	(109,871)
Property and equipment, net	$ 2,446,191	$ 876,069

Note 7. Split-Interest Agreements

Charitable remainder unitrust obligations: 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 of $559,000 and $555,000 as of December 31, 2016 and 2015, respectively, 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.

Note 7. Split-Interest Agreements (Continued)

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:

2017	$ 57,998
2018-2022	292,596
2023-2027	280,860
2028-2029	60,470
	691,924
Less: present value discount	(189,824)
	$ 502,100

During the years ended December 31, 2016 and 2015, the Foundation received distributions of $57,493 and $62,854, respectively, from these trusts.

Note 8. Notes Payable

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

The Foundation has a note payable to the Greater Minnesota Housing Fund with a balance of $266,000 as of December 31, 2016. The note is secured by an 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 are assigned to the lender (see Note 5). 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. Interest on the loan is 2 percent simple interest rate, with quarterly interest only payments 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. Subsequent to year end, the note was paid in full.

The Foundation established a fixed rate revolving line of credit of $250,000 with a bank in Rochester, Minnesota. The line of credit is backed by a promissory note that matured in November 2016. The note carried a fixed rate of 1.50 percent. The line of credit called for monthly interest only payments with any outstanding balance due at maturity. There was approximately $-0- and $201,000 outstanding as of December 31, 2016 and 2015, respectively.

The Foundation has two notes payable to a bank in Rochester. The first agreement has a balance of $727,000 as of December 31, 2016, payable in three payment streams with varying interest rates, collateralized by substantially all the assets of the Foundation. The interest rates range from 1.82 percent to 2.15 percent and is payable monthly in the amount of $7,627 from May 2016 through March 2026, with a lump sum payment of $416,313 in April 2026. The second agreement has a balance of $294,000 as of December 31, 2016, which accrues interest at 1.75 percent, with interest only payments until April 2020.

Note 9. Net Assets

Unrestricted net assets are held with the following Board designations as of December 31, 2016 and 2015:

	2016	2015
Board designated	$ 14,157	$ 14,622
Donor designated	1,351,879	1,106,227
Donor advised (nonendowment)	11,398,514	10,017,845
Agency endowment	5,647,139	5,651,881
Field of interest	1,026,494	1,041,144
Undesignated	5,261,983	4,729,529
	$ 24,700,166	$ 22,561,248

Temporarily restricted net assets are restricted for the following purposes at December 31, 2016 and 2015:

	2016	2015
Time restricted based on life expectancy of donors:		
Charitable remainder unitrust	$ 228,974	$ 204,972
Charitable remainder trust	54,011	52,114
Charitable gift annuity	175,223	188,676
Charitable lead trust	502,100	533,206
	960,308	978,968
Purpose restricted:		
First Homes Properties	10,046,766	9,951,599
Impact Finance	499,911	193,449
	10,546,677	10,145,048
Endowment earnings for Rochester community	109,098	115,739
Building campaign	-	384,068
Housing initiative	46,666	103,334
Preschool children	593,305	584,100
Higher learning	21,732	22,342
Disabled individuals	355,289	376,166
	1,126,090	1,585,749
	$ 12,633,075	$ 12,709,765

Note 9. Net Assets (Continued)

Permanently restricted net assets of which investment income is available for the following purposes at December 31, 2016 and 2015 is as follows:

	2016	2015
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 10. Endowment

The Foundation's endowment consists of 228 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

Note 10. Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2016 and 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2014	$ 13,603,305	$ 1,393,707	$ 1,921,644	$ 16,918,656
Investment return, investment change	(27,021)	(295,410)	-	(322,431)
Contributions	-	1,410,814	-	1,410,814
Board allocations of unrestricted contributions	37,891	-	-	37,891
Appropriation of endowment funds (net of fees and reimbursements)	(1,070,772)	(923,362)	-	(1,994,134)
Balance, December 31, 2015	12,543,403	1,585,749	1,921,644	16,050,796
Investment return, investment change	629,653	(7,523)	-	622,130
Contributions	-	-	-	-
Board allocations of unrestricted contributions	886,334	-	-	886,334
Appropriation of endowment funds (net of fees and reimbursements)	(757,738)	(452,136)	-	(1,209,874)
Balance, December 31, 2016	$ 13,301,652	$ 1,126,090	$ 1,921,644	$ 16,349,386

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. The 8 percent is based on achieving a 5 percent real return plus inflation of 2.5 percent to 3.0 percent 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 our 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 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 3.0 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 11. Commitments and Contingencies

Loan guarantee: 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 in 2012. 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. The loan proceeds were disbursed in 2012 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, 2016 or 2015.

Rochester Area Foundation and Affiliates

Consolidating Statements of Financial Position
Year Ended December 31, 2016

	Endowment	First Homes Properties	Impact Finance
Assets			
Cash and cash equivalents	$ 1,896,004	$ 786,768	$ 234,515
Interest and dividends receivable	30,501	4,810	8,090
Pledges receivable, net	340,812	15,000	-
Due from affiliates	265,566	1,300,624	-
Investments in marketable securities	25,392,406	-	-
Beneficial interest in trusts held by others	502,100	-	-
Loans receivable, net	-	159,500	1,871,305
Land and development costs	-	79,918	-
Property and equipment, net of accumulated depreciation	2,446,191	-	-
Other assets	49,024	78,749	-
Land held in Community Land Trust	-	7,943,584	-
Total assets	$ 30,922,604	$ 10,368,953	$ 2,113,910
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 16,566	$ 3,511	$ -
Grants payable	67,700	-	-
Annuities payable	69,459	-	-
Unitrust obligations	559,000	-	-
Refundable advances	579,891	-	-
Line of credit	-	-	-
Notes payable	1,021,780	266,485	-
Due to affiliates	-	52,191	1,513,999
Total liabilities	2,314,396	322,187	1,513,999
Net assets:			
Unrestricted	24,600,166	-	100,000
Temporarily restricted	2,086,398	10,046,766	499,911
Permanently restricted	1,921,644	-	-
Total net assets	28,608,208	10,046,766	599,911
Total liabilities and net assets	$ 30,922,604	$ 10,368,953	$ 2,113,910

Total	Eliminations	Consolidated Total
$ 2,917,287	$ -	$ 2,917,287
43,401	-	43,401
355,812	-	355,812
1,566,190	(1,566,190)	-
25,392,406	-	25,392,406
502,100	-	502,100
2,030,805	-	2,030,805
79,918	-	79,918
2,446,191	-	2,446,191
127,773	-	127,773
7,943,584	-	7,943,584
$ 43,405,467	$ (1,566,190)	$ 41,839,277
$ 20,077	$ -	$ 20,077
67,700	-	67,700
69,459	-	69,459
559,000	-	559,000
579,891	-	579,891
-	-	-
1,288,265	-	1,288,265
1,566,190	(1,566,190)	-
4,150,582	(1,566,190)	2,584,392
24,700,166	-	24,700,166
12,633,075	-	12,633,075
1,921,644	-	1,921,644
39,254,885	-	39,254,885
$ 43,405,467	$ (1,566,190)	$ 41,839,277

Rochester Area Foundation and Affiliates

Consolidating Statements of Financial Position
Year Ended December 31, 2015

	Endowment	First Homes Properties	Impact Finance
Assets			
Cash and cash equivalents	$ 963,004	$ 141,425	$ 129,033
Interest and dividends receivable	-	4,810	8,089
Pledges receivable, net	542,112	-	-
Notes receivable from affiliates	187,754	1,857,083	2,250
Investments in marketable securities	25,330,984	-	-
Beneficial interest in trusts held by others	533,206	-	-
Loans receivable, net	-	305,802	2,172,351
Land and development costs	-	245,038	-
Property and equipment, net of accumulated depreciation	875,904	165	-
Other assets	51,395	71,447	3,266
Land held in Community Land Trust	-	7,953,584	-
Total assets	$ 28,484,359	$ 10,579,354	$ 2,314,989
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 76,727	$ 34,873	$ 1,899
Grants payable	72,976	-	-
Annuities payable	87,520	-	-
Unitrust obligations	555,000	-	-
Refundable advances	540,483	-	-
Line of credit	201,794	-	-
Notes payable	-	567,686	-
Due to affiliates	2,250	25,196	2,019,641
Total liabilities	1,536,750	627,755	2,021,540
Net assets:			
Unrestricted	22,461,248	-	100,000
Temporarily restricted	2,564,717	9,951,599	193,449
Permanently restricted	1,921,644	-	-
Total net assets	26,947,609	9,951,599	293,449
Total liabilities and net assets	$ 28,484,359	$ 10,579,354	$ 2,314,989

Total	Eliminations	Consolidated Total
$ 1,233,462	$ -	$ 1,233,462
12,899	-	12,899
542,112	-	542,112
2,047,087	(2,047,087)	-
25,330,984	-	25,330,984
533,206	-	533,206
2,478,153	-	2,478,153
245,038	-	245,038
876,069	-	876,069
126,108	-	126,108
7,953,584	-	7,953,584
$ 41,378,702	$ (2,047,087)	$ 39,331,615
$ 113,499	$ -	$ 113,499
72,976	-	72,976
87,520	-	87,520
555,000	-	555,000
540,483	-	540,483
201,794		201,794
567,686	-	567,686
2,047,087	(2,047,087)	-
4,186,045	(2,047,087)	2,138,958
22,561,248	-	22,561,248
12,709,765	-	12,709,765
1,921,644	-	1,921,644
37,192,657	-	37,192,657
$ 41,378,702	$ (2,047,087)	$ 39,331,615

Rochester Area Foundation and Affiliates

Consolidating Statements of Activities
Year Ended December 31, 2016

	Endowment	First Homes Properties	Impact Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations and individuals, net	$ 3,024,683	$ -	$ -
Investment income	1,072,694	-	-
Other	34,452	-	-
Net assets released from restriction	491,999	270,039	44,570
Total unrestricted public support and revenues	4,623,828	270,039	44,570
Expenses:			
Programs:			
Grants	1,644,879	-	-
Philanthropic and special	162,007	-	-
First Homes Properties	-	175,680	-
Impact Finance	-	-	41,100
Management and general	555,097	89,043	3,470
Fundraising	122,927	5,316	-
Total expenses	2,484,910	270,039	44,570
Change in unrestricted net assets	2,138,918	-	-
Changes in temporarily restricted net assets:			
Foundation, corporations and individuals	-	167,957	-
Grants	-	133,624	50,000
Investment (loss) gain	(13,387)	9,096	31,628
Loan discount accretion	-	-	76,724
Other	-	54,529	192,680
Change in value of split-interest agreements	27,067	-	-
Net assets released from restriction	(491,999)	(270,039)	(44,570)
Change in temporarily restricted net assets	(478,319)	95,167	306,462
Change in net assets	1,660,599	95,167	306,462
Net assets, beginning	26,947,609	9,951,599	293,449
Net assets, ending	$ 28,608,208	$ 10,046,766	$ 599,911

Total	Eliminations	Consolidated Total
$ 3,024,683	$ -	$ 3,024,683
1,072,694	-	1,072,694
34,452	-	34,452
806,608	(102,139)	704,469
4,938,437	(102,139)	4,836,298
1,644,879	(102,139)	1,542,740
162,007	-	162,007
175,680	-	175,680
41,100	-	41,100
647,610	-	647,610
128,243	-	128,243
2,799,519	(102,139)	2,697,380
2,138,918	-	2,138,918
167,957	(102,139)	65,818
183,624	-	183,624
27,337	-	27,337
76,724	-	76,724
247,209	-	247,209
27,067	-	27,067
(806,608)	102,139	(704,469)
(76,690)	-	(76,690)
2,062,228	-	2,062,228
37,192,657	-	37,192,657
$ 39,254,885	$ -	$ 39,254,885

Rochester Area Foundation and Affiliates

Consolidating Statements of Activities
Year Ended December 31, 2015

	Endowment	First Homes Properties	Impact Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations and individuals	$ 1,193,134	$ -	$ -
Investment loss	(263,630)	-	-
Other	20,466	-	-
Net assets released from restriction	939,972	195,082	86,646
Total unrestricted public support and revenues	1,889,942	195,082	86,646
Expenses:			
Programs:			
Grants	2,754,418	-	-
Philanthropic and special	178,773	-	-
First Homes Properties	-	115,194	-
Impact Finance	-	-	40,247
Management and general	417,561	76,758	36,794
Fundraising	130,770	3,130	9,605
Total expenses	3,481,522	195,082	86,646
Change in unrestricted net assets	(1,591,580)	-	-
Changes in temporarily restricted net assets:			
Foundation, corporations and individuals	1,511,056	1,046,016	58,260
Grants	-	-	17,000
Investment (loss) gain	(365,663)	15,499	13,372
Loan discount accretion	-	-	76,408
Other	-	43,665	1,270
Change in value of split-interest agreements	(38,030)	-	-
Net assets released from restriction	(939,972)	(195,082)	(86,646)
Change in temporarily restricted net assets	167,391	910,098	79,664
Change in net assets	(1,424,189)	910,098	79,664
Net assets, beginning	28,371,798	9,041,501	213,785
Net assets, ending	$ 26,947,609	$ 9,951,599	$ 293,449

Total	Eliminations	Consolidated Total
$ 1,193,134	$ -	$ 1,193,134
(263,630)	-	(263,630)
20,466	-	20,466
1,221,700	(1,203,968)	17,732
2,171,670	(1,203,968)	967,702
2,754,418	(1,203,968)	1,550,450
178,773	-	178,773
115,194	-	115,194
40,247	-	40,247
531,113	-	531,113
143,505	-	143,505
3,763,250	(1,203,968)	2,559,282
(1,591,580)	-	(1,591,580)
2,615,332	(1,203,968)	1,411,364
17,000	-	17,000
(336,792)	-	(336,792)
76,408	-	76,408
44,935	-	44,935
(38,030)	-	(38,030)
(1,221,700)	1,203,968	(17,732)
1,157,153	-	1,157,153
(434,427)	-	(434,427)
37,627,084	-	37,627,084
$ 37,192,657	$ -	$ 37,192,657

Rochester Area Foundation and Affiliates

Schedule of Endowment Expenses
Year Ended December 31, 2016 with Comparative Total for Year Ended December 31, 2015

	2016				
	Program	Management and General	Fundraising	Total	2015 Total
Grants	$ 1,644,879	$ -	$ -	$ 1,644,879	$ 2,754,418
Personnel	126,048	270,809	111,977	508,834	446,101
Donor relations:					
Printing and postage	-	12,847	-	12,847	13,287
Office and equipment:					
Supplies	1,740	5,285	-	7,025	10,330
Telephone	1,667	5,061	-	6,728	6,818
Repair and maintenance	10,230	31,067	-	41,297	39,247
Office lease	3,288	9,987	-	13,275	50,435
Depreciation	19,034	57,803	-	76,837	13,478
	35,959	109,203	-	145,162	120,308
Administration:					
Professional fees	-	49,435	10,950	60,385	61,676
Dues and subscriptions	-	2,763	-	2,763	6,839
Board and committee meetings	-	15,725	-	15,725	14,995
Travel	-	1,504	-	1,504	5,651
Depreciation, interest and other	-	92,811	-	92,811	58,247
	-	162,238	10,950	173,188	147,408
Total	$ 1,806,886	$ 555,097	$ 122,927	$ 2,484,910	$ 3,481,522

Rochester Area Foundation and Affiliates

Schedule of First Homes Properties Expenses
Year Ended December 31, 2016 with Comparative Total for Year Ended December 31, 2015

	2016				
	Program	Management and General	Fundraising	Total	2015 Total
Mortgage and development activities:					
Net program expense—rehabilitated homes	$ 93,974	$ -	$ -	$ 93,974	$ 16,651
Personnel	73,533	42,574	5,316	121,423	112,472
Donor relations:					
Printing and postage	-	620	-	620	763
Office and equipment:					
Supplies	974	634	-	1,608	2,133
Telephone	1,199	781	-	1,980	2,060
Repair and maintenance	4,138	2,695	-	6,833	6,490
Office lease	1,762	1,148	-	2,910	11,430
Depreciation	100	65	-	165	170
	8,173	5,323	-	13,496	22,283
Administration:					
Professional fees	-	9,352	-	9,352	11,372
Dues and subscriptions	-	3,694	-	3,694	3,519
Board and committee meetings	-	1,907	-	1,907	2,298
Travel	-	2,111	-	2,111	1,761
Depreciation, interest and other	-	23,462	-	23,462	23,963
	-	40,526	-	40,526	42,913
Total	$ 175,680	$ 89,043	$ 5,316	$ 270,039	$ 195,082

Rochester Area Foundation and Affiliates

Schedule of Impact Finance Expenses
Year Ended December 31, 2016 with Comparative Total for Year Ended December 31, 2015

	2016				
	Program	Management and General	Fundraising	Total	2015 Total
Mortgage and development activities:					
Valuation adjustment	$ 39,000	$ -	$ -	$ 39,000	$ 3,408
Personnel	2,100	3,104	-	5,204	64,031
Donor relations:					
Printing and postage	-	-	-	-	320
Office and equipment:					
Supplies	-	-	-	-	799
Telephone	-	-	-	-	700
Repair and maintenance	-	-	-	-	2,060
Office lease	-	-	-	-	5,390
	-	-	-	-	8,949
Administration:					
Professional fees	-	92	-	92	5,170
Board and committee meetings	-	249	-	249	1,608
Travel	-	-	-	-	1,146
Depreciation, interest and other	-	25	-	25	2,014
	-	366	-	366	9,938
Total	$ 41,100	$ 3,470	$ -	$ 44,570	$ 86,646

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