Rochester Area Foundation and Affiliates

Consolidated Financial Report
December 31, 2017

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Contents

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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, 2017 and 2016, 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, 2017 and 2016, 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.

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 15, 2018

Rochester Area Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 2,645,986	$ 2,917,287
Interest and dividends receivable	73,824	43,401
Pledges receivable, net (Note 4)	316,012	355,812
Investments in marketable securities (Notes 2 and 3)	28,662,399	25,392,406
Beneficial interest in trusts held by others (Notes 2, 7 and 9)	507,000	502,100
Loans receivable, net (Note 5)	2,009,871	2,030,805
Land and development costs	190,080	79,918
Property and equipment, net of accumulated depreciation (Note 6)	2,391,190	2,446,191
Other assets	232,990	127,773
Land held in Community Land Trust	7,943,584	7,943,584
Total assets	$ 44,972,936	$ 41,839,277
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 69,728	$ 20,077
Grants payable	57,000	67,700
Annuities payable	37,647	69,459
Unitrust obligations (Note 7)	572,000	559,000
Refundable advances	766,049	579,891
Notes payable (Note 8)	828,274	1,288,265
Total liabilities	2,330,698	2,584,392
Commitments (Note 11)		
Net assets (Notes 9 and 10):		
Unrestricted	27,603,973	24,700,166
Temporarily restricted	13,116,621	12,633,075
Permanently restricted	1,921,644	1,921,644
Total net assets	42,642,238	39,254,885
Total liabilities and net assets	$ 44,972,936	$ 41,839,277

See notes to consolidated financial statements.

Rochester Area Foundation and Affiliates

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Public support and revenues:				
Foundations, businesses and individuals	$ 2,861,506	$ 1,939	$ -	$ 2,863,445
Grants	-	117,266	-	117,266
Investment income (loss) (Notes 2 and 3)	3,422,424	259,801	-	3,682,225
Loan discount accretion	-	255,000	-	255,000
Other	65,149	343,309	-	408,458
Change in value of split interest agreements	-	136,354	-	136,354
Net assets released from restriction	630,123	(630,123)	-	-
Total public support and revenues	6,979,202	483,546	-	7,462,748
Expenses:				
Programs:				
Grants	2,903,363	-	-	2,903,363
Philanthropic and special	105,758	-	-	105,758
First Homes Properties	326,674	-	-	326,674
Impact Finance	23,579	-	-	23,579
Management and general	609,108	-	-	609,108
Fundraising	106,913	-	-	106,913
Total expenses	4,075,395	-	-	4,075,395
Change in net assets	2,903,807	483,546	-	3,387,353
Net assets:				
Beginning of year	24,700,166	12,633,075	1,921,644	39,254,885
End of year	$ 27,603,973	$ 13,116,621	$ 1,921,644	$ 42,642,238

See notes to consolidated financial statements.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 3,024,683	$ 65,818	$ -	$ 3,090,501
-	183,624	-	183,624
1,072,694	27,337	-	1,100,031
-	76,724	-	76,724
34,452	247,209	-	281,661
-	27,067	-	27,067
704,469	(704,469)	-	-
4,836,298	(76,690)	-	4,759,608
1,542,740	-	-	1,542,740
162,007	-	-	162,007
175,680	-	-	175,680
41,100	-	-	41,100
647,610	-	-	647,610
128,243	-	-	128,243
2,697,380	-	-	2,697,380
2,138,918	(76,690)	-	2,062,228
22,561,248	12,709,765	1,921,644	37,192,657
$ 24,700,166	$ 12,633,075	$ 1,921,644	$ 39,254,885

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Contributions received from foundations, corporations and individuals	**$ 2,007,611**	$ 2,018,141
Grants received	**117,266**	183,624
Interest and dividends received	**370,806**	257,126
Other payments and receipts	**445,190**	(215,278)
Cash paid for grants	**(2,914,063)**	(1,548,016)
Cash paid to employees	**(621,710)**	(635,461)
Cash paid to suppliers	**(386,634)**	(614,802)
Net cash used in operating activities	**(981,534)**	(554,666)
Cash flows from investing activities:		
Purchase of property and equipment	**(29,328)**	(1,647,124)
Purchase of land and development project costs	**(229,904)**	(27,298)
Proceeds from developed properties	**121,742**	188,418
Sale of land held in community land trust	**-**	10,000
Payments received on loans receivable	**348,014**	1,126,817
Issuance of loans receivable	**(131,700)**	(26,469)
Proceeds from sale and maturities of investment securities	**1,528,981**	3,469,011
Purchase of investment securities	**(437,581)**	(1,373,649)
Net cash provided by investing activities	**1,170,224**	1,719,706
Cash flows from financing activities:		
Principal payments of notes payable	**(476,491)**	(551,421)
Net change in line of credit	**-**	(201,794)
Proceeds from notes payable	**16,500**	1,272,000
Net cash (used in) provided by financing activities	**(459,991)**	518,785
Net (decrease) increase in cash and cash equivalents	**(271,301)**	1,683,825
Cash and cash equivalents:		
Beginning	**2,917,287**	1,233,462
Ending	**$ 2,645,986**	$ 2,917,287

(Continued)

Rochester Area Foundation and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	**$ 3,387,353**	$ 2,062,228
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation expense	**84,329**	77,002
Change in valuation allowance on loans and contributions	**(2,000)**	4,000
Net unrealized and realized gains on investments	**(3,280,996)**	(812,403)
Noncash donation of investments	**(953,900)**	(1,316,153)
Discount on loans receivable, net of accretion	**(195,380)**	(653,000)
Change in value of split interest agreements	**(136,354)**	(27,067)
Changes in assets and liabilities:		
Receivables	**9,377**	155,798
Other assets	**(46,951)**	55,828
Payables and accrued expenses	**7,139**	(116,759)
Unitrust obligations	**(40,309)**	(23,548)
Refundable advances	**186,158**	39,408
Net cash used in operating activities	**$ (981,534)**	$ (554,666)

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. 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 ended December 31, 2017 and 2016.

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, 2017 and 2016, 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)

Donated real property: Donated real property is initially stated at fair value based on an appraisal at the date of donation.

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 is 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 2 for 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 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, 2017 and 2016.

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.

Property and equipment: Purchased items are capitalized at cost. Donated items are recorded at fair value at the time of donation. Depreciation is provided over useful lives ranging from three to 30 years.

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

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 transactions between the Foundation and the grantors and, most commonly, are included in temporarily restricted net assets. Revenue from grants is recognized according to the terms of the agreements, which commonly is when expenditures are incurred.

Other revenue: Revenue generated through First Homes including tax increment financing (TIF) revenue, home sale proceeds, commission revenue and other income.

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. The Foundation contributes 5 percent of the employee's salary through a Simplified Employee Pension Plan. The Foundation contributed $20,807 and $18,869 for the years ended December 31, 2017 and 2016, respectively.

Use of estimates: In preparing the Foundation's consolidated 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 consolidated 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, 2017, generally, the federal and Minnesota tax returns for the Foundation are open for examination by taxing authorities for the years 2015 to 2017. At December 31, 2017 and 2016, 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 accounting principles generally accepted in the United States of America (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 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 and other notable changes brought about by the ASU involve applying a practicability exception from fair value accounting to equity securities that do not have a readily determinable fair value. 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 consolidated 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 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 No. 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.

New accounting pronouncement adopted: 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 requires that investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient no longer be included in the fair value hierarchy. Investments that calculate net asset value per share (or its equivalent) but for which the practical expedient is not applied will continue to be included in the fair value hierarchy. In adopting ASU 2015-07, the Foundation does not include these investments in the fair value hierarchy disclosures but instead discloses them as a reconciling item between fair value investments and total investments in the consolidated balance sheets.

Subsequent events: The Foundation has evaluated subsequent events through May 15, 2018, the date of issuance of the financial statements. Subsequent to year-end and before the financial statements were issued, the Foundation began a court ordered transfer of an endowment fund to another not-for-profit organization for $1,300,000.

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) 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:

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.

Note 2. Fair Value Measurements (Continued)

- 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 the discounted cash flow of the expected payment streams of the beneficial interest in trusts held by others. 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.

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 net asset value (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, 2017 and 2016, by caption on the consolidated statements of financial position categorized by the valuation hierarchy and NAV.

	2017			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	Fair Value
Investments in marketable securities:				
Mutual funds:				
Blended equity income	$ 3,435,695	$ -	$ -	$ 3,435,695
Domestic corporate obligations	918,756	-	-	918,756
Domestic equity—small/mid cap	994,621	-	-	994,621
Domestic equity—large cap	241,569	-	-	241,569
Domestic equity sectors	1,184,722	-	-	1,184,722
International corporate obligations	17,934	-	-	17,934
International equity	2,275,615	-	-	2,275,615
U.S. government obligations	20,939	-	-	20,939
Global balanced fund	5,862,452	-	-	5,862,452
Large cap common stocks	5,264,347	-	-	5,264,347
Total	$ 20,216,650	$ -	$ -	20,216,650
Investments recorded at fair value based on NAV				8,445,749
Total investments				$ 28,662,399
Other assets:				
Beneficial interest in trusts held by others			$ 507,000	$ 507,000

Note 2. Fair Value Measurements (Continued)

	2016			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	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
Total	$ 17,707,556	$ -	$ -	17,707,556
Investments recorded at fair value based on NAV				7,684,850
Total investments				$ 25,392,406
Other assets:				
Beneficial interest in trusts held by others			$ 502,100	$ 502,100

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

	2017	2016
Fair value January 1, 2016	$ 502,100	$ 533,206
Net purchases, issuances, contributions and capital calls	-	-
Dispositions and distributions	(58,266)	(57,493)
Market value change	63,166	26,387
Fair value December 31, 2016	$ 507,000	$ 502,100
Net unrealized gains (losses) attributable to investments held at year-end	$ 63,166	$ 26,387

Note 2. Fair Value Measurements (Continued)

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

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Available)	Redemption Notice Period
Alternative investments:				
Hedge funds (a)	$ 114,226	$ -	Not available	Upon liquidation
Real estate and natural resource funds (b)	521,163	113,672	(b)	(b)
Private equity (c)	7,810,360	-	Monthly/ Quarterly	30/60 days
	$ 8,445,749	$ 113,672		

(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.

(c) 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.

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, 2017 and 2016, was approximately $7,810,000 and $6,921,000, respectively.

Note 3. Investments in Marketable Securities

Investments in marketable securities at December 31, 2017 and 2016, are summarized as follows:

	2017		
	Cost	Carrying Value	Unrealized Gain (Loss)
Mutual funds:			
Blended equity income	$ 2,791,547	$ 3,435,695	$ 644,148
Domestic corporate obligations	949,964	918,756	(31,208)
Domestic equity—small/mid cap	888,603	994,621	106,018
Domestic equity—large cap	137,954	241,569	103,615
Domestic equity sectors	1,123,841	1,184,722	60,881
International corporate obligations	18,840	17,934	(906)
International equity	1,846,126	2,275,615	429,489
U.S. government obligations	21,491	20,939	(552)
Large cap common stocks	4,190,107	5,264,347	1,074,240
Global balanced fund	5,513,029	5,862,452	349,423
	$ 17,481,502	$ 20,216,650	$ 2,735,148

	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)
	$ 18,404,936	$ 17,707,556	$ (697,380)

Note 3. Investments in Marketable Securities (Continued)

At December 31, 2017 and 2016, the Foundation, as trustee, holds charitable remainder trusts/unitrusts totaling approximately $912,000 and $842,000, respectively that are included in investments.

Reconciliation of investment income (loss) for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Interest and dividends from depository accounts	$ 26,113	$ 40,724
Interest and dividends from investments	264,380	218,676
Net gains	3,391,732	840,631
	$ 3,682,225	$ 1,100,031

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.

	2017	2016
Total pledges	$ 323,012	$ 375,812
Less discount applied to long-term pledges	(7,000)	(20,000)
Pledge receivable, net	$ 316,012	$ 355,812

As of December 31, 2017, pledges receivable are expected to be collected in the following periods:

2018	$ 184,869
2019	138,143
	$ 323,012

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, 2017 and 2016, a total of approximately $98,000 and $132,000, 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, 2017, all remaining loans mature between the years of 2020 and 2047, 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, 2017, 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.

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	
	2017	2016
Multifamily loans	$ 1,676,200	$ 1,926,200
Single-family loans	1,268,671	1,290,605
Less discount	(935,000)	(1,186,000)
Loans receivable, net	$ 2,009,871	$ 2,030,805

Note 6. Property and Equipment

Property and equipment as of December 31, 2017 and 2016, consisted of the following:

	2017	2016
Land	$ 239,669	$ 239,669
Building and building improvements	2,072,782	2,072,782
Equipment and furniture	313,118	320,613
Accumulated depreciation	(234,379)	(186,873)
Property and equipment, net	$ 2,391,190	$ 2,446,191

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 $572,000 and $559,000 as of December 31, 2017 and 2016, 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.

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.

Note 7. Split-Interest Agreements (Continued)

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:

2018	$ 62,577
2019-2023	316,038
2024-2028	298,096
2029	5,817
	682,528
Less present value discount	(175,528)
	$ 507,000

During the years ended December 31, 2017 and 2016, the Foundation received distributions of $58,266 and $57,493, respectively, from these trusts.

Note 8. Notes Payable

Notes payable at December 31, 2071 and 2016, consisted of the following:

	2017	2016
2.15% note payable to bank, due in monthly installments of $3,859, including interest, due March 2026 with a lump sum payment of $416,313 due April 2026*	$ 696,574	$ 727,380
2.00% note payable to Greater Minnesota Housing Fund, with quarterly interest only payments, due December 2020*	-	266,485
1.75% note payable to bank, with interest only payments, due April 2020*	115,200	294,400
1.99% note payable to bank, with interest only payments, due November 2018*	5,500	-
1.99% note payable to bank, with interest only payments, due November 2018*	5,500	-
1.99% note payable to bank, with interest only payments, due November 2018*	5,500	-
	828,274	1,288,265
Less current maturities	-	31,684
	$ 828,274	$ 1,256,581

* Collateralized by substantially all assets of the Foundation.

Note 9. Net Assets

Maturities of long-term debt for the years subsequent to December 31, 2017, are as follows:

Years ending December 31:	
2018	48,839
2019	33,007
2020	148,888
2021	33,648
Thereafter	563,892
	$ 828,274

Unrestricted net assets are held with the following Board designations as of December 31, 2017 and 2016:

	2017	2016
Board designated	$ 15,011	$ 14,157
Donor designated	1,544,677	1,351,879
Donor advised (nonendowment)	12,116,607	11,398,514
Agency endowment	5,565,838	5,647,139
Field of interest	1,062,750	1,026,494
Undesignated	7,299,090	5,261,983
	$ 27,603,973	$ 24,700,166

Temporarily restricted net assets are restricted for the following purposes at December 31, 2017 and 2016:

	2017	2016
Time restricted based on life expectancy of donors:		
Charitable remainder unitrust	$ 278,929	$ 228,974
Charitable remainder trust	61,481	54,011
Charitable gift annuity	137,732	175,223
Charitable lead trust	507,000	502,100
	985,142	960,308
Purpose restricted:		
First Homes Properties	10,025,929	10,046,766
Impact Finance	740,895	499,911
	10,766,824	10,546,677
Endowment earnings for Rochester community	280,024	109,098
Housing initiative	23,333	46,666
Preschool children	652,374	593,305
Higher learning	26,774	21,732
Disabled individuals	382,150	355,289
	1,364,655	1,126,090
	$ 13,116,621	$ 12,633,075

Note 9. Net Assets (Continued)

Permanently restricted net assets of which investment income is available for the following purposes at December 31, 2017 and 2016, is as follows:

	2017	2016
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 years ended December 31, 2017 and 2016, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Investment return, investment change	1,953,468	267,698	-	2,221,166
Contributions	984,363	-	-	984,363
Board allocations of unrestricted contributions	-	-	-	-
Appropriation of endowment funds (net of fees and reimbursements)	(752,117)	(29,133)	-	(781,250)
Balance, December 31, 2017	$ 15,487,366	$ 1,364,655	$ 1,921,644	$ 18,773,665

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 (Families First) 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, 2017 or 2016.

Rochester Area Foundation and Affiliates

Consolidating Statement of Financial Position
December 31, 2017

	Endowment	First Homes Properties	Impact Finance
Assets			
Cash and cash equivalents	$ 1,958,932	$ 347,941	$ 339,113
Interest and dividends receivable	-	65,733	8,091
Pledges receivable, net	316,012	-	-
Due from affiliates	195,979	1,242,855	-
Investments in marketable securities	28,662,399	-	-
Beneficial interest in trusts held by others	507,000	-	-
Loans receivable, net	-	159,500	1,850,371
Land and development costs	-	190,080	-
Property and equipment, net of accumulated depreciation	2,391,190	-	-
Other assets	56,760	176,230	-
Land held in Community Land Trust	-	7,943,584	-
Total assets	$ 34,088,272	$ 10,125,923	$ 2,197,575
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 68,388	$ 1,340	$ -
Grants payable	57,000	-	-
Annuities payable	37,647	-	-
Unitrust obligations	572,000	-	-
Refundable advances	766,049	-	-
Notes payable	811,774	16,500	-
Due to affiliates	-	82,154	1,356,680
Total liabilities	2,312,858	99,994	1,356,680
Net assets:			
Unrestricted	27,503,973	-	100,000
Temporarily restricted	2,349,797	10,025,929	740,895
Permanently restricted	1,921,644	-	-
Total net assets	31,775,414	10,025,929	840,895
Total liabilities and net assets	$ 34,088,272	$ 10,125,923	$ 2,197,575

		Consolidated
Total	Eliminations	Total
$ 2,645,986	$ -	$ 2,645,986
73,824	-	73,824
316,012	-	316,012
1,438,834	(1,438,834)	-
28,662,399	-	28,662,399
507,000	-	507,000
2,009,871	-	2,009,871
190,080	-	190,080
2,391,190	-	2,391,190
232,990	-	232,990
7,943,584	-	7,943,584
$ 46,411,770	$ (1,438,834)	$ 44,972,936
$ 69,728	$ -	$ 69,728
57,000	-	57,000
37,647	-	37,647
572,000	-	572,000
766,049	-	766,049
828,274	-	828,274
1,438,834	(1,438,834)	-
3,769,532	(1,438,834)	2,330,698
27,603,973	-	27,603,973
13,116,621	-	13,116,621
1,921,644	-	1,921,644
42,642,238	-	42,642,238
$ 46,411,770	$ (1,438,834)	$ 44,972,936

Rochester Area Foundation and Affiliates

Consolidating Statement of Financial Position
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 Statement of Activities
December 31, 2017

	Endowment	First Homes Properties	Impact Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations and individuals, net	$ 2,861,506	$ -	$ -
Investment income	3,422,424	-	-
Other	65,149	-	-
Net assets released from restriction	106,643	533,647	86,720
Total unrestricted public support and revenues	6,455,722	533,647	86,720
Expenses:			
Programs:			
Grants	3,000,250	-	-
Philanthropic and special	105,758	-	-
First Homes Properties	-	326,674	-
Impact Finance	-	-	23,579
Management and general	351,722	197,683	59,703
Fundraising	94,185	9,290	3,438
Total expenses	3,551,915	533,647	86,720
Change in unrestricted net assets	2,903,807	-	-
Changes in temporarily restricted net assets:			
Foundation, corporations and individuals	-	98,826	-
Grants	-	67,266	50,000
Investment gain	233,688	7,009	19,104
Loan discount accretion	-	-	255,000
Other	-	339,709	3,600
Change in value of split-interest agreements	136,354	-	-
Net assets released from restriction	(106,643)	(533,647)	(86,720)
Change in temporarily restricted net assets	263,399	(20,837)	240,984
Change in net assets	3,167,206	(20,837)	240,984
Net assets, beginning	28,608,208	10,046,766	599,911
Net assets, ending	$ 31,775,414	$ 10,025,929	$ 840,895

Total	Eliminations	Consolidated Total
$ 2,861,506	$ -	$ 2,861,506
3,422,424	-	3,422,424
65,149	-	65,149
727,010	(96,887)	630,123
7,076,089	(96,887)	6,979,202
3,000,250	(96,887)	2,903,363
105,758	-	105,758
326,674	-	326,674
23,579	-	23,579
609,108	-	609,108
106,913	-	106,913
4,172,282	(96,887)	4,075,395
2,903,807	-	2,903,807
98,826	(96,887)	1,939
117,266	-	117,266
259,801	-	259,801
255,000	-	255,000
343,309	-	343,309
136,354	-	136,354
(727,010)	96,887	(630,123)
483,546	-	483,546
3,387,353	-	3,387,353
39,254,885	-	39,254,885
$ 42,642,238	$ -	$ 42,642,238

Rochester Area Foundation and Affiliates

Consolidating Statement of Activities
December 31, 2016

	Endowment	First Homes Properties	Impact Finance
Changes in unrestricted net assets:			
Public support and revenues:			
Foundation, corporations and individuals	$ 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

Schedule of Endowment Expenses Before Eliminations
Year Ended December 31, 2017 with Comparative Total for Year Ended December 31, 2016

	2017				
	Program	Management and General	Fundraising	Total	2016 Total
Grants	$ 3,000,250	$ -	$ -	$ 3,000,250	$ 1,644,879
Personnel	83,806	165,921	73,496	323,223	508,834
Donor relations:					
Printing and postage	-	7,233	-	7,233	12,847
Office and equipment:					
Supplies	1,039	2,969	-	4,008	7,025
Telephone	1,009	2,884	-	3,893	6,728
Repair and maintenance	8,955	25,584	-	34,539	41,297
Office lease	-	-	-	-	13,275
Depreciation	10,949	31,280	-	42,229	76,837
	21,952	62,717	-	84,669	145,162
Administration:					
Professional fees	-	33,744	20,689	54,433	60,385
Dues and subscriptions	-	2,720	-	2,720	2,763
Board and committee meetings	-	10,192	-	10,192	15,725
Travel	-	163	-	163	1,504
Depreciation, interest and other	-	69,032	-	69,032	92,811
	-	115,851	20,689	136,540	173,188
Total	$ 3,106,008	$ 351,722	$ 94,185	$ 3,551,915	$ 2,484,910

Rochester Area Foundation and Affiliates

Schedule of First Homes Properties Expenses Before Eliminations
Year Ended December 31, 2017 with Comparative Total for Year Ended December 31, 2016

	2017				
	Program	**Management and General**	**Fundraising**	**Total**	2016 Total
Mortgage and development activities:					
Net program expense—rehabilitated homes	**$ 141,482**	**$ -**	**$ -**	**$ 141,482**	$ 93,974
Personnel	**144,335**	**99,528**	**9,290**	**253,153**	121,423
Donor relations:					
Printing and postage	**-**	**1,200**	**-**	**1,200**	620
Office and equipment:					
Supplies	**2,526**	**1,905**	**-**	**4,431**	1,608
Telephone	**2,258**	**1,702**	**-**	**3,960**	1,980
Repair and maintenance	**16,859**	**12,711**	**-**	**29,570**	6,833
Office lease	**-**	**-**	**-**	**-**	2,910
Depreciation	**19,214**	**14,486**	**-**	**33,700**	165
	40,857	**30,804**	**-**	**71,661**	13,496
Administration:					
Professional fees	**-**	**47,012**	**-**	**47,012**	9,352
Dues and subscriptions	**-**	**3,220**	**-**	**3,220**	3,694
Board and committee meetings	**-**	**2,297**	**-**	**2,297**	1,907
Travel	**-**	**3,207**	**-**	**3,207**	2,111
Depreciation, interest and other	**-**	**10,415**	**-**	**10,415**	23,462
	-	**66,151**	**-**	**66,151**	40,526
Total	**$ 326,674**	**$ 197,683**	**$ 9,290**	**$ 533,647**	$ 270,039

Rochester Area Foundation and Affiliates

Schedule of Impact Finance Expenses Before Eliminations
Year Ended December 31, 2017 with Comparative Total for Year Ended December 31, 2016

	2017				
	Program	Management and General	Fundraising	Total	2016 Total
Mortgage and development activities:					
Valuation adjustment	$ 4,000	$ -	$ -	$ 4,000	$ 39,000
Personnel	14,382	27,514	3,438	45,334	5,204
Donor relations:					
Printing and postage	-	300	-	300	-
Office and equipment:					
Supplies	289	622	-	911	-
Telephone	238	512	-	750	-
Repair and maintenance	4,670	1,650	-	6,320	-
Office lease	-	8,400	-	8,400	-
	5,197	11,184	-	16,381	-
Administration:					
Professional fees	-	16,287	-	16,287	92
Board and committee meetings	-	-	-	-	249
Travel	-	70	-	70	-
Depreciation, interest and other	-	4,348	-	4,348	25
	-	20,705	-	20,705	366
Total	$ 23,579	$ 59,703	$ 3,438	$ 86,720	$ 44,570

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