

Living Your
Legacy



Rochester
Area Foundation

ROCHESTER AREA FOUNDATION 2012 REPORT TO THE COMMUNITY

Rochester Area Foundation By the Numbers 2012

Philanthropy

2012 activity

534

Total grants

\$1,273,833

Total grant dollars

72

Scholarships

193

Health/human services

\$1,092,050

Total health/human services dollars

22

Arts/culture grants

\$17,340

Total arts/culture grant dollars

Housing

Total assets ending 2012

609

Total affordable homes

423

Total affordable rentals

\$16,694,493

Total dollars in loans for development of affordable housing

12

Multi-family development buildings

1,038

Families served

Early Education

2012 Activity

7

SEEDS parent classes

100

Adults trained

148

Children better prepared for school

The mission of the Rochester Area Foundation is to strengthen community philanthropy by promoting responsible and informed giving and to assist donors in meeting their charitable objectives.

The Foundation is dedicated to using its resources to improve the quality of life, promote greater equality of opportunities, and to develop effective methods to assist those in need in the greater Rochester area.

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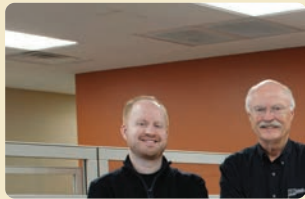
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2012 Rochester Area Foundation Board of Trustees



*Back row, l-r: Joe Powers, Jose Rivas, Mark Utz, Leigh Johnson, Dr. Hugh Smith, John Benike
Front row, l-r: Karel Weigel, Tom Wentz, Jean Locke, Wendy Shannon, JoAnn Stormer (President)
Not Pictured: Barbara Porter, Nancy Domaille*

The Rochester Area Foundation would like to thank the many people and organizations who have given so generously of both their time and money to assist in our efforts to help those in need and to preserve and improve the quality of life in the Rochester area.

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From the Board Chair and President



JoAnn Stormer, President

"All good men and women must take responsibility to create legacies that will take the next generation to a level we could only imagine."

– Jim Rohn



John Benike, Board Chair

Dear Friends of the Rochester Area Foundation,

On behalf of the Board of Trustees and staff, we are proud to share this year's annual report. The Rochester Area Foundation is more than a charitable-giving partner, and it is more than a way to positively impact our community. It is a shared belief that, together, we will meet each day knowing that in real and tangible ways, we are making tomorrow better—that we are continuing the work of creating a powerful legacy for generations to come.

As the Foundation truly belongs to the communities it serves, inside these pages you will see the rewards of giving and leaving a legacy. Our community is a special place. It is where we live, work, and raise our families. By helping each other, we shape our future. Take a look inside this annual report for examples of how your generosity, and the generosity of many in this community, have improved the lives of others.

We welcome your input, your feedback, and most importantly, your participation in all of the work we do. Please contact us if there is any way we may be of service. The resources of the Foundation are truly community resources to be shared. It is our pleasure to extend our warmest thank you for your continued support.

Sincerely,

A handwritten signature in black ink that reads "John W. Benike". The signature is written in a cursive, flowing style.

John Benike
Chair, Board of Trustees

A handwritten signature in black ink that reads "JoAnn Stormer". The signature is written in a cursive, flowing style.

JoAnn Stormer
President

What Are Donor Advised Funds?

The fastest-growing segment of philanthropic giving at the Rochester Area Foundation, donor advised funds let donors remain actively involved in their giving by recommending grants to support the groups, organizations, and causes important to them. They are flexible, personalized, and also allow donors to consolidate their future charitable giving.

The goal of the Rochester Area Foundation is to grow all invested funds on a long-term average of eight percent. Over time, an invested fund could donate five percent to charities while retaining the additional three percent for growth and reinvestment. Then, during years when investment returns are poor, donors are still able to donate their five percent because of the retained earnings of their fund.

For more information on donor advised funds, contact our Development Staff or raf-info@rochesterarea.org.

Donor Insight*

70% give because they are driven by personal values.

54% leave 25% of their worth to charity.

53% use their business acumen to inform successful giving.

59% say they are setting an example for the next generation.

42% have developed succession plans for giving for future generations.

*Source: "Next-Generation Philanthropy: Changing the World," September 2012, www.forbes.com/forbesinsights.

Save the Date

October 16, 2013

Celebrate

Philanthropy

Please join us on this yearly occasion where we celebrate those whose passion for giving has made an impression on the lives of our neighbors and improved our greater community. Those who have been impacted first-hand by our donor's generosity will speak about how their lives have been affected in a positive way. Your presence would be a show of strong support for the philanthropic efforts of the nonprofit community in Rochester and the surrounding area and an opportunity for everyone involved to say thank you to our donors. Refreshments and appetizers will be provided. Please join us, and save October 16, 2013, for this important event.



Bob and Brad Nuss

Nuss Truck & Equipment Donor Advised Fund

A Legacy of Stewardship, Service, and Support

Bob Nuss has a passion for customer service and philanthropy.

It all began in 1973, when Bob moved with his family from Rockford, Ill., to Rochester. Though he worked in his father's Mack Truck business, he wanted to raise his family in Rochester. In December 1980, he purchased the truck stop and land at the top of the hill on highway 63 south of Rochester. While he realized Rochester wasn't a trucking hub, Bob believed this would be a good opportunity to solidify his business intentions. Not long after, the business expanded with store and service openings in Mankato; Eau Claire, Wis.; Duluth; St. Cloud; and Roseville.

So what's the key to this success? "Customer service," he says. "We are stewards of the money we receive. We owe our customers great service and products. We owe our employees good jobs and compensation. And we owe our community support." The Nuss business philosophy extends toward its philanthropic efforts as well, which is why the company established the Nuss Truck & Equipment Donor Advised Fund with the Rochester Area Foundation. "It's a perfect solution for corporate as well as personal philanthropy. To me, the Rochester Area Foundation goes hand-in-hand with the greater Rochester community. It makes sense economically and logically as the best vehicle if you live in the Rochester area and are philanthropic."

The decision to name the fund Nuss Truck & Equipment was made because the business "will be here long after I'm gone," says Bob. "This is a way to establish a legacy in philanthropy for the corporation."

Both individuals and corporations are able to create donor advised funds. A corporation must name the individuals responsible for advising donations from the fund and can change these individuals as needed to ensure giving in perpetuity. Brad Nuss, one of Bob's sons and the company's CFO, is the main contact for its donor advised fund. He is pleased with the fund because it gives them options in supporting the community. "We operate in several locations and, with the donor advised fund, we can support all the communities where we are located. We can use it for matching funds as well. When Hurricane Katrina happened, we encouraged our employees to support the victims, and we were able to do a match for those funds raised," he says.

The fund also appeals to the company's business sense. "The donor advised fund is like a budgeting process for philanthropy," says Bob. "We can give to our fund in good years, and build it up. Then, in lean years, we are still able to support community needs. It evens out the ups and downs of the trucking economy." In 2008, for example, when the economy was poor and building and transportation slowed, Nuss Truck & Equipment had to reduce expenditures. Yet they were able to still support community needs through the donor advised fund.

The fund delivers an average eight percent annual increase due to the investment and growth philosophy of the Rochester Area Foundation.

"I believe in a philosophy that protects and preserves our investments while seeking to grow responsibly. That is good stewardship."

– Bob Nuss



Mary Ehmke and Beth Tollefson

KMTelecom Donor Advised Fund

Turning a Windfall Into a Lifetime of Goodwill

When Beth Tollefson and Mary Ehmke, who run the fourth-generation business KMTelecom, received a windfall from the company's investment in Midwest Wireless, they needed to make a decision about what to do with it—*fast*.

"We had this money and were aware of the tax implications," says Tollefson. "But more importantly, we wanted to be able to set this aside for philanthropy so that we had a vehicle to give back to our community."

Both Tollefson and Ehmke were born and raised in Kasson. Though they went away for college, they returned to live and work in the Kasson-Mantorville area because of their strong ties to their hometown. "There is a lot of community connection here, and we are proud to be a part of that," says Ehmke. That strong connection led to the decision to do something philanthropic with the money.

In evaluating options, the two considered establishing a family foundation, but rejected it due to the time commitment and expense. Rochester attorney Alan Yanowitz recommended a donor advised fund through the Rochester Area Foundation for both ease of use and the proximity to Kasson. "We met with the Foundation people several times and came away convinced that this was a good solution for us. It would allow the establishment of an in-perpetuity fund, enable donations to come from somewhere other than our operating capital, and ensure we would be able to make donations where there was need and when it matched our corporate giving philosophy, regardless of the economic climate," says Tollefson.

The only concern was community perception. "Many people think the Rochester Area Foundation is for Rochester only," says Tollefson. "We are working on helping change that. The reality is that much of Kasson heads east every morning for work." In fact, the Foundation serves a 30-mile radius around Rochester, which extends to Lewiston to the east, Lake City to the north, Claremont to the west, and Preston to the south. Charitable organizations within this radius are able to request grants from the Rochester Area Foundation through two grant cycles. Donor advised funds are not limited to this 30-mile radius, however. They can support charitable organizations throughout the United States and benefit international organizations, as long as they meet IRS criteria for nonprofit organizations. "We choose to support our local communities in our service areas," says Ehmke. "It's our way of giving back to the people that support us."

For Tollefson and Ehmke, choosing the donor advised fund also offered a tax advantage since it was created the year KMTelecom received payment from Midwest Wireless. As new gifts are made to the fund, they, too, are tax deductible. "It put us in a positive place with regard to ensuring we had funds we could use for philanthropy forever," adds Tollefson.

Those who establish donor advised funds also get to choose the name. Some choose a family name, others choose individuals or corporations. "We decided to use the corporate name to be sure that the recognition goes to KMTelecom. The people who run the business might change, but the business is strong and stable and will outlast us," says Ehmke. "It is our wish that the KMTelecom Donor Advised Fund is giving donations long after we are gone."

"We had this money and were aware of the tax implications, but more importantly, we wanted to be able to set this aside for philanthropy so that we had a vehicle to give back to our community."

– Beth Tollefson



Back row, l to r: Lucas, Ed, Mary Front row: Josh, Kyle

Clark Donor Advised Fund

Making a Difference Through Philanthropy and Teaching

“If we were all more aware of how closely connected we really are, it would make a tremendous difference in our world,” says Ed Clark.

Raising awareness and making a difference are exactly what Ed and Mary, his wife, set out to do when they created the Clark Donor Advised Fund through the Rochester Area Foundation on the recommendation of their trusted advisor, Dave Oeth. They had reached a time in their lives when they were settling down and choosing to make Rochester their home. Initially, the Clarks considered a variety of options, like charitable trusts and family foundations. “They seemed complicated, involved, and expensive. The Rochester Area Foundation’s administration and leadership made sense to us,” says Mary.

The donor advised fund is a cost-effective, tax-efficient instrument, and the Rochester Area Foundation offers the stewardship and expertise needed in managing and dispersing the funds. “We have worked hard and been fortunate, and we see the fund as a way to set aside philanthropic dollars now during our peak earning years so later on, during retirement, we are still able to give robustly from those funds, which have grown over time through investments,” says Ed. “Everyone wants to leave a legacy,” he adds. “For Mary and I, our donor advised fund is a great tool in establishing a path to truly make a difference with charitable organizations with whom we have a special attachment.”

Recently, the Clarks were able to help their sons’ school create and expand its playground area. “It was so meaningful to us to be able to do something now that will last a long time. To make a difference, not just for our kids, but for all who attend the school and will attend it. We were able to see how happy they all were when it opened,” says Mary. They are also involved with plans for expanding the Ronald McDonald House facilities and hope to use their fund to assist that effort.

Clearly, the Clark’s philanthropy is making a difference in the community, but they also hope their fund will be a teaching tool for children—starting with their own. “We like the idea that the fund can help us teach our children about charitable giving. Perhaps, in time, they might become the advisors,” says Ed.

One day, the Clarks hope to use their funds to sponsor an event that would help other children learn about philanthropy so they might carry forward the awareness that everyone can benefit from help. This idea grew from an experience the Clark family had during a program at Christ Community Church called Feed My Starving Children. “We went to the church and put on hair nets, gloves, and aprons and started packing food, dry beans, rice, dry milk—all measured into bags to be sent across the world. This was making an impact on my sons. It’s like they fully understood that this would help kids just like them, but who had no food.” The Clarks realize that if schools are able to participate in an activity like this through funds provided by the Clark Donor Advised Fund, it would leave a lasting impression.

“We like the idea that the fund can help us teach our children about charitable giving. Perhaps, in time, they might become the advisors.”

– Ed Clark



Amy and Joe Cass

Cass Donor Advised Fund

Working Together to Better Our Community

After their children grew up and left the nest, Joe and Amy Cass relocated to Rochester. They wanted to get involved in the community and further the Minnesota tradition of charitable giving.

“Normally, you can engage in a community through schools and kids, but ours are grown so we looked for an organization that was involved in making a difference in the greater Rochester area,” says Amy. That’s why she and Joe turned to the Rochester Area Foundation.

"It provided us a way to sort of level the charitable playing field," says Joe. "Many people donate through their churches and other religious affiliations, but not all charities are supported in this way. The donor advised fund enables us to give to those programs we see as benefiting the Rochester community. In addition, we're able to give to those charities that we see benefiting the international community."

The Cass family appreciates the efficiency of the fund, knowing they can make a donation whenever it fits into their financial picture. "From there, we can make donations to charities we wish to support, when they have a need. It enables us to budget our gifts, and it's very easy," says Amy.

When the Casses want to make a donation, they call or email the request to Ann Fahy-Gust, donor services and grants manager for the Rochester Area Foundation. Fahy-Gust facilitates donor philanthropy and ensures that organizations are eligible to receive charitable gifts. "We can't make donations to individuals or for-profit organizations," she explains. "When a donor requests a gift to an organization, I check it out through the Charities Review Council and the IRS charitable organizations information website." She also tracks which organizations are requesting grants from the Foundation and invites donors to participate as a partner with the Foundation in funding these already vetted requests.

This is something that appeals to the Casses. "As we are relatively new to town, we like to hear about areas of current or future need," says Amy. "We have participated several times as a partner with the Foundation in these grants. It helps us be involved in the community."

One community project Joe and Amy are watching closely is the Destination Medical Community, an innovative partnership between the city of Rochester and Mayo Clinic with the goal of making the city one of the top medical destinations in the world. "We're perched on the edge of big things with the Destination Medical Community concept. It would be great to find projects to dovetail with that," says Amy.

Giving back and making the community a better place is important to the Casses. "We have an opportunity to support this community where we live through philanthropic gifts," says Amy. "It's the easy way really. I'm so impressed by those who give of

their time and talent to make Rochester the unique, growing community it is." And that makes the Casses feel right at home.

"The donor advised fund enables us to give to those programs we see as benefiting the Rochester community. In addition, we're able to give to those charities that we see benefiting the international community."

– Joe Cass

Chatfield School District Invests in Tomorrow

Chatfield businessman Mike Touhy was intrigued by the idea of reducing the public school tax burden for future generations, an idea that first came to him when he heard that the Catholic Church and New York's St. Patrick's Cathedral, in the late 1800s, placed a small amount of money in a fund that, over the course of the last 150 years, became an endowment that funded the New York Catholic School system.

He wondered if something similar could happen in Chatfield.

The opportunity to find out came when the Chatfield Public School system received a substantial bequest from an alumnus who had passed away. Rather than spend it or let it languish, school district administrators wanted to see it grow.

Touhy, who knows many of the Rochester Area Foundation board and committee members, recommended entrusting the funds to the Foundation. "I felt comfortable placing the money in their hands, knowing they have the ability and know-how to manage funds and realize a healthy return over the long haul," he says.

School Superintendent Ed Harris, Chatfield High School Principal Randy Paulsen, and the board agreed that a high return on investment and the quality of the expertise were the main elements they liked in considering the Rochester Area Foundation. Currently, there are other large organizations and one foundation in Chatfield that have funds through the Rochester Area Foundation. This instilled additional confidence among board members.

In the end, the fund they chose is separate from the school district budget and not subject to outside voices telling

the Chatfield school system how best to spend its own money. The money stays with the Foundation in order to grow. "This was important because staff changes over time may bring different focuses on how to allocate funds," says Harris, "and the decision was made to keep a set of guidelines for how this money would be spent."

Overall, the purpose of the fund is to spend the dollars locally and in an efficient manner. The board felt the best way to do that is through a well-run community foundation. To date, there have been no distributions, because the fund is focused on growth. "Rather than simply having the money sit in a bank account and decrease in amount, the Rochester Area Foundation can use its volunteer expertise and make the fund grow on its own," says Harris.

In order for the funds to grow more rapidly, however, the Chatfield School District will need to face its biggest challenge—finding a revenue stream. To do that, the district has centralized funding in order to feed the investment. The goal is to grow the dollars through additional fundraising and the Foundation's wise investment structure. "We could do fascinating things with a larger fund," says Touhy.

When funds are ready to be dispersed, they will be spent on local community initiatives, like an early childhood education program or technology advancements to connect with a new generation of learners. And should the fund grow to be a significant part of the Chatfield School District's budget, it will most certainly support student education and reduce the tax burden for future generations.



l to r: Randy Paulsen, Ed Harris, Mike Touhy

"Rather than simply having the money sit in a bank account and decrease in amount, the Rochester Area Foundation can use its volunteer expertise and make the fund grow on its own."

— Ed Harris



A Great Idea Takes Root

Community Dental Care Brightens the Future

There is a program in Rochester that is changing the lives and futures of its patients and providers. Community Dental Care (CDC) offers quality dental care to underserved populations.

According to the Centers for Disease Control and Prevention, about one-third of the American adult population does not see a dentist annually*—a significant problem as poor dental hygiene has been linked to poor overall health. Locally, the CDC wants to change that. With six operatories, the clinic averages 46 patient visits per day. Doctors explain basic dental hygiene, perform exams, treat cavities, extract teeth, create dentures, and perform root canals.

But service to Rochester's ethnically diverse population is not without difficulty. "Most of the children seen here have serious cavities. Some patients have mental health issues making dental care a concern, since they may not understand the long-term implications of good oral hygiene," says Vacharee Peterson, dentist and clinic CEO.

Because the clinic is new it mostly sees first-time visitors and has already expanded its hours. Additional growth is only a matter of time. Currently, the clinic has a one-and-a-half month waiting list. "We still don't have enough room to take all the patients that we need to see," says Peterson. "The long waiting time is problematic because, as we see these patients for the first time, we know they will be returning. Sometimes, patients must come for several visits because the problems have been let go for so long. Many adults are coming in with advanced decay issues and requiring dentures, which take a minimum of four visits to be fitted properly. We want our patients to have a quality experience. If we do our job right the first time, we

won't see the same problem coming back again and again," she says.

Currently, more than 90 percent of the clinic's patients are on public programs, but the clinic also accepts payment on a sliding scale for those who are uninsured and provides mini-grants for those with no dental insurance. Supported by individual donors and Foundation grants, the mini-grants are used to pay for exams, extractions, supplies, and staff to do the dental work. A \$250 grant will pay for one extraction.

The groundwork for the clinic was laid back in the fall 2011, when Peterson was contacted by Kris Billman, director of Children's Dental Health Services, about the closing of the part of the Main Street Dental Clinic public program that had served thousands of patients over the past 15 years. Its closing meant that hundreds of children and their families on public programs would have limited options for dental care.

Following conversations with the United Way, Olmsted Public Health, Migrant Health Services, Inc., and providers of dental and health care services for low-income and minority people in the Rochester area, they confirmed there was a great need for dental services to underserved populations. Subsequent conversations with representatives from the Mayo Clinic, Rochester Area Foundation, and United Way convinced them there was great interest in supporting a new clinic. "We were welcomed with open arms," says Peterson. "This city recognizes and has a heart for those in need."

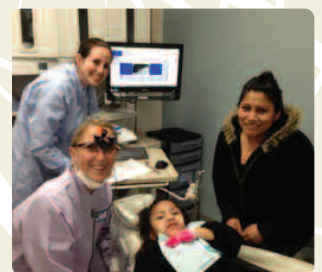
The newly formed CDC opened within a year of the original vision because of the generous response from the Rochester community. The clinic's 1,700 sq. foot



Vacharee Peterson, dentist and CDC CEO

"We were welcomed with open arms. This city recognizes and has a heart for those in need."

— Vacharee Peterson



*source: www.cdc.gov/nohss/

continued on page 16

Community Dental Care continued from page 15

home is in the Heinz Center on the Rochester Community and Technical College (RCTC) campus next to the Migrant Health Care Clinic, a co-location that has been a significant blessing. Cost savings were realized since the site was already plumbed and wired for four dental operatories. In addition, RCTC has helped the CDC with small renovations and allows the clinic to share use of the nitrous oxide/oxygen tank, the compressor, and the suction machine that currently services the dental hygiene and assistant training clinic upstairs. "Some of the graduates from their dental assistant program have joined our clinic, as well," says Peterson. The Migrant Health Care Clinic has allowed the CDC space for employee lockers so staff has a location to put their coats, boots, and lunches. In addition, the program has been awarded an Americorps volunteer, for the coming year, who will assist with outreach and patient record organization.

Though the success of the clinic is undeniable, there is still a long way to go. Peterson would like to see updated equipment, continued growth and expansion, and more services like the Program to Improve Community Oral Health, which provides prevention and educational programming for children and pregnant mothers. "The CDC has been instrumental in helping new immigrant and low-income populations learn the importance of oral hygiene. We would love to bring this program to Rochester," says Peterson.

CDC Wish List

- Panorex X-ray Machine (\$30,000)
- Miele dishwasher (\$8,000) for instrument sterilization
- Central console with sink, lighting, supply cabinets (\$13,000)
- Computers for staff

To learn more, or make a donation, visit www.cdenc.org.

Building Nonprofit Capacity for Tomorrow's Resources

The Rochester Area Foundation assists nonprofits and the individuals, families, and areas they serve through fiscal agent relationships, service grants, and in-kind grants. Here are the stories of several nonprofits already benefiting from these types of assistance:

MVESM Protects and Preserves History for Future Generations

After the Rochester World War II Round Table meetings started in 2004, a group of veterans and other individuals wondered how to preserve the resulting stories and artifacts. Tom Hosier, Wayne Stillman, Tom Brinkman, John Hunziker, and John Kruesel investigated a solution. Interest grew to include preserving the stories and artifacts of law enforcement officers, firefighters, and emergency responders—those who preserve and protect America on a daily basis—and the concept for the Minnesota Veterans and Emergency Services Museum (MVESM) was born.

In 2010, Hosier, president of the MVESM board of directors, approached the Rochester Area Foundation about serving as a fiscal agent for the fledgling organization. The sponsorship meant that the Foundation accepted financial responsibility for donations made to MVESM, ensured donations were tax deductible, assumed liability for MVESM's charitable actions, and accepted responsibility for financial reporting. "The Foundation helped us manage the financial aspects of being a charity while we got our applications done. It was a huge benefit to say to donors that the Rochester Area Foundation was behind us. It lent credibility to our effort," says Hosier.

Now that MVESM has its 501(c)3 status, it wants to continue working with the Foundation in its efforts to preserve history. Though a location for the museum is undecided, initial plans call for exhibit galleries, a research library, archives, a conservation lab, peace gardens, an indoor memorial, a great hall, and space for meeting rooms, classrooms, or event rentals. A coffee shop, store, and restaurant are also planned. "With all the discussion of Destination Medical Community, we feel the time is right for MVESM. We hope to get bonding and legacy money with the support of our legislators. This could provide an opportunity not only for Rochester residents, but also for our yearly 2.7 million visitors, to visit a first-class museum."

MVESM
www.mvesm.org

The JOY of Full-Service Grant Assistance

The Justice and Opportunity for Youth (JOY) program is on the path to sustainability thanks to financial grants, service grants, and honest conversations that made the case for change.

JOY, which serves disadvantaged youth in the probationary system or living in a home involved with the courts, first approached the Rochester Area Foundation seeking financial assistance, which was granted. But it soon became clear that the original objectives were not being delivered. As part of the grant process, JOY underwent a voluntary review with the Foundation. It identified structural and organizational issues that were preventing JOY from being sustainable. Through a service grant, which are given for work done that does not add material value, the Foundation helped JOY develop a business plan, build a board, apply for 501(c)3 status, develop program evaluations, and start engaging volunteers in its work.

But JOY's troubles were not over. When its founder and executive director resigned, the board approached the Foundation for an additional service grant to identify how the organization could become viable. Strategic sessions led to the conclusion that the organization was critical for Rochester both socially and economically, that it could be run as an all-volunteer organization, and that it had a future. The Foundation then helped the board address roadblocks to funding. Donors shared concerns about safety, unclear and unmonitored outcomes, and duplication of services. With financial and service grants from the Foundation, the JOY board developed procedures and processes for the safety of youth and volunteers; created a volunteer training manual; partnered with other organizations to better understand how they could help one another; developed expectations, outcomes, and membership criteria; and enlisted a part-time executive director. But, most importantly, they began communicating with donors, the community, and other organizations.

JOY
www.joymn.org

Centro Campesino Offers Needed Resources for Growing Demographic

Centro Campesino empowers Rochester's immigrant population each day, and it all begins in its new meeting space at the Rochester Area Foundation.

Incorporated in Owatonna in 2000, Centro Campesino aids local Latino communities through education, advocacy, and community organizing. Centro Campesino has over 700 families in its membership circle throughout southern Minnesota, some of which are served through a branch in Rochester that opened in January 2013. Initially, meetings were held in the Rochester Public Library and, while accommodating, it did not create the professional environment needed. That's why Centro Campesino's Program Officer Jeff Jurewicz met with Rochester Area Foundation President JoAnn Stormer and explained the situation. Realizing the gap in services to this rapidly growing demographic and Centro Campesino's ability to partner with other organizations toward a common goal, she encouraged him to apply for an in-kind grant through the Foundation. In-kind grants are for work that is material, like plumbing, carpentry, or office and meeting rooms.

Centro Campesino applied and was granted space in the Foundation's office. Not only is it a more private, professional setting, but also it has allowed for increased networking with other area nonprofits and access to Foundation resources and expertise. Jurewicz recommends the Foundation for other nonprofits seeking similar grants. "Don't be afraid to ask the Rochester Area Foundation for help. The Foundation is inclusive and has the interests of the whole community in mind. It seeks to develop non-profits in creative and innovative ways."

Centro Campesino
www.centrocampesino.net



Tom Hosier,
President, MVESM Board
of Directors



JOY youth



Centro Campesino volunteers
in Washington D.C.

First Homes Community Land Trust

Building a Legacy of Affordable Housing

Walking into Desiree Franken's home, it's clear how happy she is to be there. "It's like it was meant to be," she says.

Almost two years ago, from the back porch of her apartment, she watched construction of a First Homes project. One day, she and her mom took a walk and checked out the progress. "Mom thought it would be perfect for me...I thought 'No way! I would never be able to afford something as nice as this,'" says Franken. Today, she, her daughter, Astyia, and son, Miles, call it home. A labor and delivery specialist in the Family Birth Center at Mayo, Franken never considered home ownership within reach. But space constrictions and a longing for a place of her own led her to call the number on the First Homes For Sale sign.

In doing so, she learned that First Homes provides permanently affordable housing through its Community Land Trust program. Homes in foreclosure are purchased, refurbished, and re-sold. The land is retained in "trust" with the program, making the mortgage payment more affordable and eliminating one of the more expensive elements of real estate transactions, especially in inner city areas where the land is always more pricey than the home because demand for buildings, parking lots, and commercial enterprise areas is high. The homeowner pays a small lease fee to First Homes for the rental land.

After reviewing her finances with Shirley Lee, the First Homes realtor, Franken discovered she qualified for the program. "I had good credit and met the eligibility requirements for income. Because I was a first-time homebuyer, I needed to take a class on all the things one has to do as a homeowner. It was really helpful. I know what my



Franken family

obligations are," she says. Through the First Homes program, she also secured a deferred, interest-free, closing-cost loan.

Franken's new home had received about \$100,000, from five different funding streams, in internal and external renovations, including opening up interior walls to improve traffic flow, adding creative details, painting, refinishing floors and woodwork, and adding new cabinetry, fixtures, appliances, a water heater, roof, and windows while keeping the home's original character and design. "I knew this was 'my house' because everything I already had went so well with what was in it. The colors are perfect. It all works so well together."

Thrilled with her home, Franken has continued to update it, adding a fence and details to the water feature pond. "Homeownership is possible," she says. "I have more security, stability, and confidence. And I can have family holidays. I have space for that now, and I never did before. That's the best part."



Before and after



Refurbished interior

"Homeownership is possible. I have more security, stability, and confidence. And I can have family holidays. I have space for that now, and I never did before. That's the best part."

– Desiree Franken



Rigles-Woodford family

Like Franken, Kim Woodford and Antony Rigles, along with their children Lilah and Judah, love their Community Land Trust home. Prior to buying their home, the family had a difficult time finding places to rent that would accommodate their dog, baby, child, and public rental assistance. "We dreamed of owning our own house but didn't think we could find one for a reasonable price that didn't require significant upgrades to be livable," says Woodford.

Still, they looked at homes, chasing the dream, until they came across a First Homes sign. After learning more about the program, they knew they had a chance at home ownership. Lee showed Woodford and Rigles several homes, including the one that Franken now owns, until they found the perfect house with a large yard. It was just down the road from where Woodford's parents live. Woodford loved the large yard and could picture their children and

dog playing there. She also envisioned a garden. Rigles was impressed by the workmanship. "I could see we had a perfect match. That's the best part of my job," says Lee.

Though they were intimidated with the process of buying a house, the couple was pleasantly surprised. "Shirley supported us through the lending process. The mortgage lender was really great, and she made sure we had all the necessary paperwork. We took the first-time homebuyer education class to be sure we knew what we had to do. The whole process was really easy," says Woodford. "It's almost too good to be true! Now that we are homeowners, we feel like part of the neighborhood. We attend neighborhood events. We are putting down roots. And we care about what is happening in our neighborhood."

Both Woodford and Rigles wish that First Homes could purchase and refurbish all the area homes that are in need of work. "It really benefits the entire neighborhood as well as the people who get to live in them." For now though, they are content to live in their own home. "We are here to stay. The kids can grow up here. We can make lifelong friends. I have the space for the garden I've always wanted. It was meant to be," says Woodford.



Before and after



Before and after

First Homes Community Land Trust

By the Numbers

219	number of homes in the program
3	average household size
31	average age of homeowner at purchase
16%	number of households with diverse background
25	average home age in years
3-5	years is average length of homeownership before selling
\$140,000	average home value
\$40,000	average subsidy provided to homeowner
59%	of households below 50% of area median income
\$29,588,000	amount First Homes invested in the program since inception

"We are here to stay. The kids can grow up here. We can make lifelong friends. I have the space for the garden I've always wanted. It was meant to be."

– Kim Woodford

Guide for Giving

	DESCRIPTION	ADVANTAGES
Direct Donation	Cash or property donated to a public charity or community foundation.	<ul style="list-style-type: none"> • Immediate benefit to charity • No associated costs • Current income tax deduction normally allowed
Charitable Bequest	As a part of a will, a charitable bequest specifies a particular asset, or fixed dollar amount, percentage of estate be given to a charitable organization upon donor's death.	<ul style="list-style-type: none"> • Revocable at any time • Gives donors access to assets until death • Unlimited tax deduction for the estate
Donor Advised Fund	Public charity that pools donations with other donors' gifts and invests them; fund makes grants to charitable recipients upon recommendation of donor.	<ul style="list-style-type: none"> • Contribution usually fully deductible each year • Account can be named • Flexible giving in future years • Can give anonymously • Fees and expenses are low • Consolidated charitable giving • Can establish successor advisors to legacy fund
Charitable Gift Annuity	In exchange for assets, a charity guarantees to pay a specified life income payment to beneficiaries. The charity receives the remainder at death of the beneficiaries. No additional gifts are allowed.	<ul style="list-style-type: none"> • Fixed amount of income provided each year for life • Part of income is a tax-free return of principal • The charity receives the remaining assets at income beneficiary's death • A portion of contribution deductible in current year
Charitable Remainder Annuity Trust	Donor and/or other beneficiaries receive payments of a fixed amount determined when the trust is established. No additional gifts to the trust are allowed.	<ul style="list-style-type: none"> • A portion of contribution deductible in current year • Annual income for donor or other non-charitable beneficiary • The charity receives remaining assets at income beneficiary death or trust termination • Fixed income each year • Can be for lifetime or for term of years not to exceed 20 • Trust is normally tax-exempt
Charitable Remainder Unitrust	Donor and/or other beneficiaries receive a fixed percentage of the value of the trust's assets valued annually. The charity receives remainder of trust at income beneficiary's death or trust termination.	<ul style="list-style-type: none"> • A portion of contribution deductible in current year • Income for the donor or other non-charitable beneficiary • Charity receives remaining assets at income beneficiary's death or trust termination • Trust is normally tax-exempt • Can be for lifetime or term of years, not to exceed 20
Charitable Lead Trust	Assets are placed in trust, charity receives payment, property is eventually returned to the donor, donor's descendants or other non-charitable beneficiary.	<ul style="list-style-type: none"> • Assets may be passed on to heirs • Generates income for charity during donor's lifetime or over a specified number of years • Can provide gift, estate, and generation-skipping tax advantages

DISADVANTAGES

GENERAL TAX RULES

DONOR INCOME

<ul style="list-style-type: none"> • Donor needs to research and choose specific charities before year-end • Deduction is subject to AGI* restrictions • Some charities are not equipped to accept securities • Donor receives no income from assets 	<ul style="list-style-type: none"> • Income tax deduction for amount of cash donation up to 50% of AGI* • Generally, deduction for full-market value of long-term property with no capital gains tax paid, up to 30% of AGI* • Estate tax liability reduced 	<p>No</p>
<ul style="list-style-type: none"> • No immediate tax benefit • Bequest must be paid from estate • Probate adds costs, delays, and complexity 	<ul style="list-style-type: none"> • Estate tax deduction for value of donation 	<p>Yes, until death when assets are given to charity</p>
<ul style="list-style-type: none"> • Deduction is subject to AGI* restrictions • Final authority to make grants rests with Foundation trustees • Donor receives no income from assets 	<ul style="list-style-type: none"> • Income tax deduction for amount of cash donation limited up to 50% of AGI* • Generally, deduction for full-market value of long-term property with no capital gains tax paid, limited up to 30% of AGI* • Estate tax liability reduced • Avoid capital gains tax for gifts of long-term appreciated assets 	<p>No</p>
<ul style="list-style-type: none"> • Charity liability for annuity: If the charity has financial difficulties, the income beneficiary may not receive income • Deduction is subject to AGI* restrictions • Transfer of long-term appreciated assets gives rise to tax liability to donor 	<ul style="list-style-type: none"> • Current income tax deduction for actuarially determined value of gift ultimately passing to charity • Estate tax liability reduced • Reduce capital gains tax liability for gifts of long-term appreciated assets • Annuity principal is returned to donor tax-free as portion of each annuity payment over term of the annuity 	<p>Yes, fixed</p>
<ul style="list-style-type: none"> • Deduction is subject to AGI* restrictions • Income-to-income benefits are generally taxable • Must have individual or institutional trustees • Cannot accept additional donations • More complex to establish and fees are generally higher than some alternatives 	<ul style="list-style-type: none"> • Current income tax deduction for actuarially determined value of gift ultimately passing on to charity • Estate tax liability reduced • Avoid capital gains tax for gifts of long-term appreciated capital assets 	<p>Yes, fixed</p>
<ul style="list-style-type: none"> • Deduction is subject to AGI* restrictions • Income-to-income benefits are generally taxable • More complex to establish and fees are generally higher than some alternatives • Must have individual or institutional trustees • Some cannot accept future donations 	<ul style="list-style-type: none"> • Current income tax deduction for actuarially determined value of gift ultimately passing on to charity • Estate tax liability reduced • Avoid capital gains tax for gifts of long-term appreciated capital assets 	<p>Yes, variable</p>
<ul style="list-style-type: none"> • Tax treatment is complex • More complex to establish and fees are generally higher than some alternatives 	<ul style="list-style-type: none"> • Income tax benefits vary depending on type of trust • Estate or gift tax liability may be reduced • Avoid capital gains tax for gifts of long-term appreciated capital assets 	<p>No, original asset reverts back to remainder beneficiary, can be donor</p>

*AGI = Adjusted Gross Income

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Thank you to the following 2012 donors. Some contributions established new charitable funds while others were added to existing funds or were made in memory or honor of a loved one. We gratefully acknowledge and thank the following donors for their generous gifts during the year. Rochester Area Foundation has made every effort to ensure the accuracy of our donor list. Please contact us if we have unintentionally omitted or misspelled your name.

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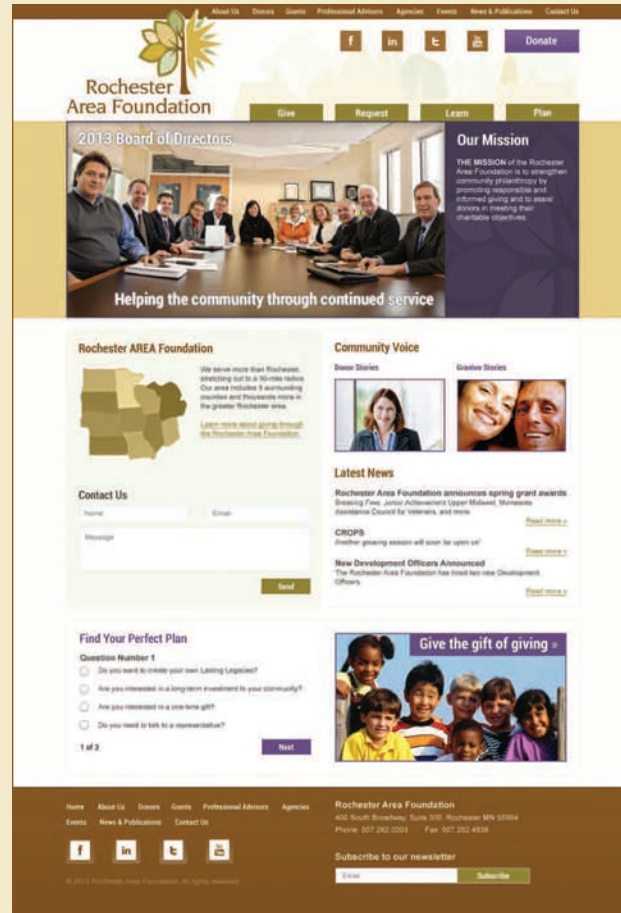
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Visit www.RochesterArea.org for information on how to donate, request a grant, plan for the future, or get involved in the surrounding community. Like us on **Facebook**, follow us on **Twitter**, or connect to us on **LinkedIn** to learn more about giving in the Rochester area.



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Rochester Area Foundation Staff



Back row l-r:

Steve Borchardt, Development Officer

Paul Harkess, Development Officer

Max Evans, Administrative Assistant & Communications

Ann Fahy-Gust, Donor Services and Grants Manager

Front row l-r:

Cheryl Key, Program Officer

JoAnn Stormer, President

Shirley Lee, Program Officer

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JoAnn@RochesterArea.org,

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Rochester Area Foundation & Affiliates

Consolidated Statement of Financial Position December 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	1,728,297	1,728,297
Interest and dividends receivable	16,459	16,459
Pledges receivable	68,975	68,975
Notes receivable	201,057	201,057
Investments in marketable securities	24,901,322	22,683,810
Beneficial interest in trusts held by others	709,190	709,190
Loans receivable	2,169,723	2,154,902
Land and development costs	934,759	2,276,320
Equipment, net	19,119	30,033
Other assets	54,872	77,480
Land held in community land trust	8,060,398	8,058,218
Total Assets	<u>38,897,014</u>	<u>38,004,741</u>
Liabilities and Net Assets		
Liabilities		
	2012	2011
Accounts payable and accrued expenses	172,765	212,765
Grants payable	51,350	91,200
Program assets held for others	156,667	751,980
Annuities payable	90,668	91,866
Deferred revenue	-	174,000
Unitrust obligations	714,449	603,000
Refundable advances	486,764	497,619
Note payable	3,213,132	3,082,332
Total Liabilities	<u>4,885,795</u>	<u>5,504,762</u>
Commitments		
Net Assets		
Unrestricted	29,874,946	19,808,064
Temporarily restricted	2,214,629	10,770,271
Permanently restricted	1,921,644	1,921,644
Total Net Assets	<u>34,011,219</u>	<u>32,499,979</u>
Total Liabilities and Net Assets	<u>38,897,014</u>	<u>38,004,741</u>

Audit status – financial results for the year ended December 31, 2012, have not been audited at this time. The audited 2012 financial report will be available at the Rochester Area Foundation office and on the website upon completion of the audit.

What's Your Legacy?



Rochester
Area Foundation

400 South Broadway, Suite 300, Rochester, MN 55904

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