

Rochester Area Foundation

2005 Report to the Community



L E G A C Y B U I L D E R S



Building community
since 1944

**Our offices:**

Rochester Area Foundation maintains offices with First Homes and First Steps in the Rochester Area Foundation Center at 2200 Second St. SW in Rochester.

Office hours are 8 a.m. to 5 p.m., Monday through Friday. We can be contacted in any of the following methods:

Mail or in person:

Rochester Area Foundation -or-
First Homes -or- First Steps
Rochester Area Foundation Center
2200 Second St. SW, Suite 300
Rochester MN 55902-4125

Phone:

- Rochester Area Foundation: 507.282.0203
- First Homes: 507.287.7117
- First Steps: 507.282.1027
- Shared fax line: 507.282.4938

E-mail:

- Rochester Area Foundation general e-mail: info@RochesterArea.org
- First Homes general e-mail: info@FirstHomes.org
- First Steps general e-mail: info@FirstSteps.us

Web:

- www.RochesterArea.org
- www.FirstHomes.org
- www.FirstSteps.us

© 2005 Rochester Area Foundation

Staff:**■ Sean Allen**

First Homes Executive Director and
Rochester Area Foundation Assistant
Director

E-mail: sean@FirstHomes.org
Direct phone: 507.424.3755, Ext. 105

■ Jane Campion

Grants Administrator
E-mail: jane@RochesterArea.org
Direct phone: 507.424.3755, Ext. 106

■ Al DeBoer

Development Director
E-mail: al@RochesterArea.org
Direct phone: 507.424.3755, Ext. 111

■ Kevin Ewing

First Steps Director
E-mail: kevin@FirstSteps.us
Direct phone: 507.424.3755, Ext. 103

■ Sheila Fishbaugher

Administrative Assistant
E-mail: sheila@RochesterArea.org
Direct phone: 507.424.3755, Ext. 100

■ Chuck Gysi

Communications/Program Officer
E-mail: chuck@RochesterArea.org
Direct phone: 507.424.3755, Ext. 104

■ Shirley Lee

First Homes Program Officer
E-mail: shirley@FirstHomes.org
Direct phone: 507.424.3755, Ext. 107

■ Cheryl Richardson

First Homes Program Officer
E-mail: cheryl@FirstHomes.org
Direct phone: 507.424.3755, Ext. 101

■ Steve Thornton

Executive Director
E-mail: steve@RochesterArea.org
Direct phone: 507.424.3755, Ext. 102

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 Olmsted County.

THE FOUNDATION

makes grants in the fields of arts and culture, community development, education, human services and recreation.

- 3 Chair's report
- 4 Board of Trustees
- 5 Trustee service
- 6 Heritage Society legacy
- 7 Profile of a grant
- 8 Announcing First Steps
- 10 A donor's story
- 11 An agency fund
- 12 Our year at a glance
- 14 Investments
- 15 Foundation backgrounder
- 16 Types of funds
- 18 Professional adviser info
- 19 New funds
- 21 Our donors
- 23 Financial report
- Back section
- First Homes annual report

Building a legacy for next generation

Report

In those rare quiet moments in your life, have you ever considered what kind of legacy you're building? Have you wondered about the impact of your life? Have you considered how far your influence extends?

The Rochester Area Foundation has been making the important connection between individuals' personal memories, passions, dreams and the fulfillment of their charitable goals. We help create permanent charitable funds of everlasting impact. These funds ensure that people of vision will have an enduring influence on the life of their community and the charitable causes they hold dear, that is truly "For good. For ever."

The possibility to help humanity, even after you're gone, is a compelling vision. You can, in partnership with the foundation, establish a systematic and family-oriented approach to philanthropy. Not only can you demonstrate the importance of philanthropy to your family, your family will gain an awareness of what was important to you during your lifetime by engaging them in building your legacy for the next generation.

Why would a 90-year-old plant an acorn? Because we all want to leave this world knowing we made a difference. Giving to the next generation through philanthropy is a powerful way to extend our influence to future generations. The following stories in this annual report demonstrate a variety of ways people in our community are building their legacies for the next generation.

Al Schafer

Chair | Board of Trustees | Rochester Area Foundation



Al Schafer has served as chair of the Rochester Area Foundation Board of Trustees since February 2004.

— L E G A C Y — B U I L D E R S —

Building community
since 1944



Trustees

Building community
since 1944



Rochester
Area Foundation

The combined perspective of the **Rochester Area Foundation's Board of Trustees** and the breadth of their community expertise and leadership ensure that the foundation's resources are effectively employed to build our community. The members of the board generously serve three-year terms without compensation with a maximum of three consecutive terms.

O F F I C E R S				
Chair: Al Schafer <i>Smith Schafer & Associates Ltd.</i>	Vice chair: David Stenhaug <i>Wells Fargo Bank</i>	Vice chair: Craig Wendland <i>Wendland & Utz Ltd.</i>	Treasurer: Charles Elliott <i>Retired, Crenlo, Inc.</i>	Secretary: Carol Kamper <i>Retired</i>
T R U S T E E S				
Nancy Brubaker <i>Community volunteer</i>	Nancy Domaille <i>Domaille Engineering, LLC</i>	Joe Duffy <i>Mayo Foundation</i>	Paul Harkess <i>Mayo Foundation</i>	Marianne Hockema <i>Mayo Foundation</i>
Mary Jo Kelly <i>Retired, IBM Corp.</i>	Jon Losness <i>Post-Bulletin Co., LLC</i>	Michael McNeil <i>Home Federal Savings Bank</i>	Joe Powers <i>Canadian Honker Restaurant and Catering</i>	John Wade <i>Rochester Area Chamber of Commerce</i>
C O M M I T T E E S				
Committee on the Board Al Schafer, chair Charles Elliott Carol Kamper David Stenhaug Craig Wendland	Distribution Mary Jo Kelly, chair Nancy Brubaker Jane Campion Jean Locke Marianne Hockema Joe Powers Sheryl Tasler Craig Wendland	Finance/Audit Charles Elliott, chair Al Schafer Investment Nancy Domaille, chair Dan Berndt David Ebel Charles Elliott Michael McNeil Paul Olander James Talen Craig Wendland	First Homes Liaison Mary Jo Kelly First Steps Advisory David Stenhaug, chair Nancy Domaille Joe Duffy Carol Kamper Craig Wendland Jane Campion First Steps Communications liaison Jon Losness	
Communications John Wade, chair Marianne Hockema	Development Paul Harkess, chair Nancy Brubaker Jane Campion Joe Duffy Michael McNeil David Stenhaug	Executive Al Schafer, chair Charles Elliott Carol Kamper David Stenhaug Craig Wendland		
F O R M E R T R U S T E E S				
Earl R. Baker Betty A. Beck Dan Berndt Robert A. Bezoier Art Birdseye William C. Boyne Robert S. Brown Michael Bue Dorothy Callahan Jane K. Campion Rick Colvin Lance Davenport Allan DeBoer Vera M. Elgin Ann N. Ferguson Joy Fogarty Jean H. Freeman	Claude Glatzmaier David Griffin Walter T. Haesley Harry J. Harwick J.W. Harwick John H. Herrell Les Horntvedt Isabel Huizenga Theodore H. Johnsen Clifford M. Johnson Jennings O. Johnson Eleanore Kirklin Michael Klampe Edward LaPointe Anna McGee Kenneth McGhie	Theodore G. Martens, M.D. R. D. Mussey, M.D. Sue M. Norris James M. O'Conner Paul Olander Charles W. Pappas Harold E. Payne Carolyn Piepho Raymond Pruitt, M.D. Bruce Qualey Ray L. Roberts Oscar C. Ronken Alfred Schumann Fred W. Schuster Ron Seeger Robert Smoldt	Herbert M. Stellner, Jr. Howard T. Stewart Marilyn Stewart Don Sudor James L. Talen Sheryl Tasler Curtis L. Taylor Harold Thompson Margaret S. Thompson Al Tuntland Charles R. Von Wald Howard E. West Nedra M. Wicks Barbara B. Withers John Withers Ralph Wright, Ph.D. Kenneth Zubay	

L E G A C Y — B U I L D E R S

Trustee tells the foundation's story

For many years, Craig Wendland has told the Rochester Area Foundation's story to clients when they are planning estates or selling businesses.

The attorney, senior shareholder of Wendland, Utz, Stahl and Mintz, Ltd., has recommended the foundation for years to clients who are planning their estates or who come into large sums of money. His interest in the foundation took root and he now is in his second term on the foundation's board of trustees and serves as its vice chair.

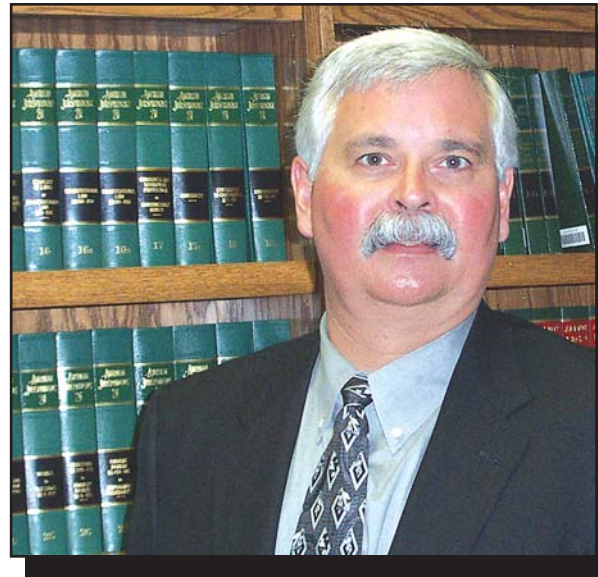
First-generation entrepreneurs who are self-made businessmen and businesswomen as well as those planning their estates have a special connection to the Rochester community. These people recognize what the community has done for them and they want to give something back, he said.

"The foundation has a real connection with the real needs of our community," Wendland said, adding that it is flexible in working with clients.

"The foundation has a sophisticated board that understands unique situations," he added.

While Wendland has lived in Rochester almost all his life, he did spend three years in California after receiving his law degree from the University of California at Los Angeles. But he returned to his roots in 1979.

"This is a special place to live and raise a family," he said.



Craig Wendland stands among law volumes in his offices at Wells Fargo Center in downtown Rochester.

Service

— L E G A C Y — B U I L D E R S —

Building community
since 1944



Rochester
Area Foundation

History leads to their planned gift

A love of history led Lois and Robert Jorstad to joining the Rochester Area Foundation's Community Heritage Society.

To understand, take a step back about three decades. In 1976, the Jorstads came to Stewartville, where Bob became schools superintendent for 17 years. After arriving in town, the couple became close with Dr. A.O. and Helen Hagen. "Doc," a dentist, was a cousin of Lois' father and was the closest relative to the newcomers.

Helen Hagen asked Lois Jorstad to monitor her estate after her death in 1998 and one beneficiary included a scholarship fund set up for Stewartville students. The fund got off to a slow start. When Byron Schools Superintendent Dr. Wendy Shannon started her teaching career in Stewartville, Bob Jorstad had mentored her. Dr. Shannon had started a fund for Byron schools with the Rochester Area Foundation in 1999 and suggested that the Stewartville funds be moved to the foundation, too.

After overseeing the scholarship fund move, Lois Jorstad said it made sense that the couple leave their own legacy and committed to giving the Rochester Area Foundation a gift out of their estate when they die. The funds will benefit the Stewartville Historical Society with help for upkeep of the Stewartville birthplace of Sears, Roebuck and Co. founder Richard Sears. The couple donated many items to the society when they moved from Stewartville to Rochester a few years ago.

"Our hope is that it will plant the seeds for others to have ideas," Lois Jorstad said of the couple's planned gift.



The Jorstads donated many items of interest to the Stewartville Historical Society when they moved to Rochester. As members of the Rochester Area Foundation's Community Heritage Society, they will leave a gift to the foundation upon their deaths to leave a legacy in Stewartville.

■ To learn more about the Community Heritage Society, go to **www.RochesterArea.org**, click on "donors" and then click on "Community Heritage Society."

Grant helps restore downtown park

Families with young children scampering around the restored fountain and downtown workers eating their lunches on park benches is the new scene in Rochester's downtown Central Park.

That wasn't always the case in recent years, though. Rochester's first park was carved into a downtown block back in 1856. Over the next century and a half, downtown grew up around the park and the lot had come into disrepair.

In recognition of the city's sesquicentennial celebration in 2004, Leadership Greater Rochester Class of 2004, a civic leadership program sponsored by the Rochester Area Chamber of Commerce, went to work to restore the park: improve brick walkways, provide wheelchair access to restrooms and the gazebo, create a new brick plaza and restore a fountain damaged in a traffic accident years ago.

The class raised more than \$67,000 for the project, including \$10,000 in a matching grant from the Rochester Area Foundation. On July 30, 2004, a celebration party was held in the park to introduce the "new" old park.

Today, the refurbished park offers a quiet respite for visitors to Mayo Clinic and others who work in or visit downtown Rochester.

"As a group of 40 individuals participating in this Rochester Area Chamber organization, we were challenged to find a community project to sponsor," Chuck Treder, a member of the class, said. "We chose Central Park because it met our goals as a group and was a means for us to enhance our future while preserving the past."



Members of the 2004 Leadership Greater Rochester Class of 2004 volunteer their time to restore downtown Rochester's Central Park.

■ To learn more about the Rochester Area Foundation's grant process or to obtain a grant application, go to **www.RochesterArea.org** and click on "grants."

— L E G A C Y — B U I L D E R S —

Building community
since 1944


Rochester
Area Foundation

Preparing children for kindergarten

The numbers tell the story. A total of 61 percent of those children entering Rochester Public Schools' kindergarten classrooms score in a range that indicates they are less than secure or not fully ready for formal schooling.

All our children deserve an opportunity at building a meaningful, successful life. Unfortunately, far too many children are arriving at kindergarten well behind their peers. As a community, we cannot accept this any longer.



As a result, the Rochester Area Foundation moved forward in 2005 in creating its newest initiative, First Steps. First Steps aims at ensuring the children of Rochester and Olmsted County are ready for kindergarten.

First Steps will launch in the fall of 2005 is a community-wide collaborative public-private economic development initiative spearheaded by the Rochester Area Foundation to assure that children are ready for school as they enter kindergarten. Key planning partners include Child Care Resource and Referral, Family Action Collaborative (FACES), Olmsted County Public Health, Olmsted County Community Services, Rochester Area Chamber of Commerce, Rochester Public Library, Rochester Public Schools and the United Way of Olmsted County.



First Steps will officially be launched in the fall of 2005 as a new initiative of the Rochester Area Foundation. To learn more about the program, call Director Kevin Ewing at 507.424.3755, Ext. 103 or send an e-mail to info@FirstSteps.us.

■ To learn more about the Rochester Area Foundation's First Steps initiative, go to our special web site at **www.FirstSteps.us**.

Research has confirmed that 75 percent of a child's brain development occurs by age 5. Early learning forms the emotional and intellectual foundations young children need to succeed in school - and in life. Without thoughtful stimulation and caring attention, many children fall behind and struggle to catch up with their peers. That's where First Steps comes in.

While First Steps will attempt to tie together all preschool services in our community, it also recognizes that parents are the first and the most important teachers for their children. Life continues to become more complicated for parents and adults who care about the welfare and future of our children. Hectic schedules, more parents in the workforce than any state and increasing economic concerns often means that not all children begin school as equals.

Advancing the First Steps initiative makes sense ... and cents. A 2003 study by Art Rolnick, senior vice president of the Federal Reserve Bank in Minneapolis, found that early-age education yields up to a 16 percent annual return to taxpayers in terms of better working schools, less remedial educational costs later, better educated workers, increased taxes paid by those children as adults and the avoided costs of welfare, police, prison and other big ticket public intervention expenditures.

Anticipated program outcomes for First Steps include:

- Informed parents and adult caregivers.
- Outreach to families not involved in organized preschool programs.
- Provide services to children cared for in their own homes.
- Collaboration and integration of community services for children and their families.
- Clear measures of quality and progress.
- Accountability for improved results.
- Implement strategies for increasing involvement with faith communities.
- Increase the number of bicultural/bilingual parent educators.
- Increase the number of children entering kindergarten prepared and ready to learn.

What others are saying

Al Stroucken, *chief executive officer of H.B. Fuller and chair of Minnesota Business for Early Learning:*

"Minnesota is jeopardizing its economic future and exacerbating downstream public costs by allowing nearly half of our children to reach age 5 without being ready for kindergarten."

Rip Rapson, *president, McKnight Foundation:*

"The loss of one child's potential as a family member is only a shadow of the loss to that child's potential as an educated, productive world citizen. Our businesses have one less skilled worker. Our communities have one less person to contribute time, energy and money to sustain a high quality of life. Our state has one less citizen to engage meaningfully in public decision-making. There is one more adult at risk of ... straying into crime or requiring continuing public subsidy."

Jack Shonkoff, *pediatrician, dean at Brandeis University and co-author of "From Neurons to Neighborhoods: The Science of Early Childhood Development."*

"There is an unacceptably wide gap between what we know and what we do to promote healthy development in early childhood." Shonkoff also calls for a new public dialogue that moves beyond blaming parties involved - parents, communities, business or government.

Building community
since 1944



Rochester
Area Foundation

Gift annuities offer her life income

Barbara Brown thought it was such a good deal that she did it twice.

After getting her first charitable gift annuity from the Rochester Area Foundation in November 2002, she went back and got a second one a month later.

"I think they are great for a person my age," she said. "I'm in my 80s."

Mrs. Brown first heard about charitable gift annuities about a half-dozen years ago when a seminary representative presented a program at her church in Sun City, Ariz., where she winters for a few months each year. She then made a gift through the seminary's annuity program to help scholarship programs.

With interest rates from banking institutions dropping in 2002, she decided that the Rochester Area Foundation's new gift annuity program - at a 10.8 percent interest rate based on Mrs. Brown's age - made sense.

The northeast Rochester resident now enjoys a set life income from her gift annuities.

"When the charitable gift annuity program came along, I thought, that's for me," she said, adding, "More cash flow."



Barbara Brown has helped solidify her financial future with two gift annuities from the Rochester Area Foundation.

■ To find out more about the Rochester Area Foundation's charitable gift annuities, call us at **507.282.0203** or send an e-mail to **info@RochesterArea.org** for a free brochure. Information also is on our web site at **www.RochesterArea.org** by clicking on "donors" and then "Charitable Gift Annuities"

Building community
since 1944



Rochester
Area Foundation

L E G A C Y — B U I L D E R S

Agency fund proved smart for Arc



A little bit of planning resulted in Arc Southeastern Minnesota's agency endowment fund being set up with the Rochester Area Foundation a dozen years ago.

As part of its planning process in early 1993, Arc's board talked about the organization's long-range sustainability and how they were relying primarily on individuals and special events for funding.

At about the same time, Arc received an unsolicited estate gift of \$18,000, according to Buff Hennessey, Arc's executive director. After Arc's board met a few times with Steve Thornton, the foundation's executive director, a significant portion of that gift became an agency fund with the foundation. It didn't come easy as the board wrestled with giving up control of the funds. However, the fund was smart for Arc, Hennessey said, because it offered security, the organization didn't have to learn how to invest funds, and the money could be pooled with other foundation funds for maximum investment value. Having the funds with the foundation also took away temptation to have easy access to the funds.

"We've always had the idea to grow it significantly," Hennessey said. "It was a good thing to do as a community member and it was a good thing for our organization."

In the meantime, the funds remain untapped, with interest and additional donations helping the fund grow more than threefold over the dozen years. Perhaps the funds will be tapped to help a new venture in the future, or perhaps the funds will grow significantly to a point where earnings could become operational dollars for Arc.



Sisters Danielle and Marlena enjoy a bike ride on Danielle's bicycle-for-two. Danielle was born with multiple disabilities and enjoys a better quality of life because of Arc services and initiatives. Arc helps build inclusive communities for all by providing support, education and advocacy to persons with developmental disabilities and their families.

■ To learn more about our agency funds, go to **www.RochesterArea.org**, click on "donors," then click on "a listing of our funds" and then click on "agency endowment funds."

LEGACY — BUILDERS

Building community
since 1944



Celebrating 60th year in grand style

The year 2004 allowed the Rochester Area Foundation to take time and reflect on six decades of philanthropy in the community, especially noting its significant growth in the past decade.

Formed in 1944, the foundation has become the primary conduit and center of philanthropy in Olmsted County over the years.

The yearlong 60th anniversary celebration kicked off in November 2003 with a gala dinner at the Rochester Golf and Country Club and was wrapped up in November 2004 with a grand dinner at the Kahler Hotel in Rochester.

Several events were keynote to the foundation's celebration year. They included: a reformulated legislative forum for non-profit organizations that keyed on legislators listening to organization representatives one on one; a move to new and expanded offices to accommodate a growing staff; the launch of First Homes' Heritage Homes program to rehabilitate housing stock near to downtown; five new endowments were created to bring new funds into the foundation; and a celebration of First Homes' involvement in Rochester's Kutzky Park neighborhood.

The foundation looks forward to its future, too. A new early childhood initiative, First Steps, kicks off in 2005. Work continues to bring new funds into the foundation's endowment and to expand the scope of the foundation's efforts in the community.



Throngs of supporters wait to enter Heritage Hall at the Kahler Hotel in downtown Rochester in November 2004 to celebrate the end of the Rochester Area Foundation's 60th anniversary year.

Building community
since 1944



Rochester
Area Foundation

LEGACY — BUILDERS



Area state legislators listened to issues of interest to non-profit organizations during the Rochester Area Foundation's fourth annual legislative forum in December 2004 at the Kahler Hotel in downtown Rochester. The forum was reconfigured from past years into a listening post that offered area organizations more one-on-one time with legislators.



Charles Elliott, Rochester Area Foundation treasurer, accepts a half-million dollars from the Soldiers Field Veterans Memorial in November 2004, to create a new agency endowment fund for the perpetual care of the Soldiers Field Veterans Memorial.



April Sutor heads a leadership class for non-profit organization board members hosted by the foundation in January 2004 at the Hilton Garden Inn in Rochester.



Members of the Rochester Area Foundation's Board of Trustees and staff listen to an update on First Homes by First Homes Executive Director Sean Allen during a board retreat in April 2004.

LEGACY — BUILDERS

Building community
since 1944

Committee monitors investments

Jim Talen knows how important it is for the Rochester Area Foundation to have sound investments, but not only because he and his wife Joyce hold a donor-advised fund. The former chair and member of the foundation's board of trustees also serves on its investment committee.

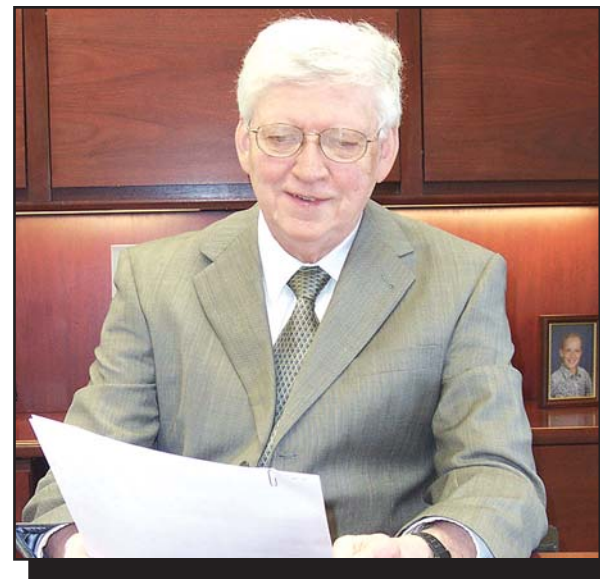
Talen explained that members of the investment committee are experts in their fields and meet quarterly to stay abreast of investment performance. They review information and advice from the foundation's investment advisers, a firm hired specifically to monitor asset performance.

The committee Talen serves on has a fiduciary responsibility to ensure that the organization's investment portfolio is properly managed. It's a sizable task that committee members take very seriously.

"I feel really good about how our investments are managed," Talen, president of Eastwood Bank, said about Hammond and Associates of Clayton, Mo., the firm that has monitored the foundation's investments for the past two years. "In my opinion, they do an outstanding job for us."

Talen said that the foundation seeks to achieve an adequate return while minimizing any risks and also that the portfolio is well diversified.

"Anyone investing in the foundation should feel comfortable," Talen said of the foundation's investment efforts.



Jim Talen reviews current investment reports for the Rochester Area Foundation in his offices at Eastwood Bank in northwest Rochester.

Building community
since 1944



Rochester
Area Foundation

LEGACY — BUILDERS

Foundation growing its assets, staff

While the Rochester Area Foundation was founded more than six decades ago, its growth has become very prominent in the last decade and a half.

From \$3 million in 1990, the foundation's asset base now stands at \$32 million, and is growing, a 10-fold increase in just 15 years. In addition to an increase in donations to the foundation over that time period, the organization also has launched initiatives such as First Homes and has grown its professional staff, too.

The foundation converted from part-time staff to two full-time employees - an executive director and an administrative assistant - in 1990, and the staffing level remained the same until 2001, when several key positions were filled, including a communications officer and two First Homes positions: a director and program officer. In 2004, an additional First Homes program officer was added to the staff to oversee its Heritage Homes program while a development director started part-time work. In 2005, a director was hired for the new First Steps school readiness initiative. A staff of eight now works in the foundation's offices on Second Street SW in Rochester. The foundation's professional staff carries out the mission of the organization on a daily basis, working with donors, the community and non-profit organizations.

Persons with questions about how the foundation's programs work are invited to call or e-mail our offices, or stop by for a visit. If you are interested in becoming a donor, if you are a donor seeking information about funds, or your non-profit is seeking a source of grant funds, we welcome your call or visit.



The Rochester Area Foundation moved its offices from the Wells Fargo Center in downtown Rochester to the former Hirman Insurors building at 2200 Second St. SW in Rochester in December 2004. The new offices accommodate a growing staff and offer on-site meeting space.

■ The Rochester Area Foundation and its two initiatives - First Homes and First Steps - have speakers available to tell your group about our organization. Call us at **507.282.0203** or send an e-mail to **info@RochesterArea.org**.

Background

Building community
since 1944



Rochester
Area Foundation

Variety of funds offer flexibility

Persons wishing to donate funds to the Rochester Area Foundation have a variety of methods to accomplish their philanthropy in our community.

Planned gifts are a vehicle where the donor designates the foundation to receive a donation at a given time. Examples of planned gifts are “life income” gifts such as a Charitable Remainder Annuity and a Charitable Remainder Unitrust Trust. Our Community Heritage Society recognizes those who have made provisions to contribute in the future through their wills or through deferred gifts.

Our charitable gift annuities offer the donor or donors a life income based on their age or ages and allows an immediate tax deduction. Gift annuities are simple contracts. For a free brochure, please contact our office.

The foundation will work with donors to accomplish their philanthropic goals. Funds may be created with cash, securities traded on major exchanges, closely held stock, real estate or insurance policies.

■ A complete listing of our funds can be viewed by going to our web site at www.RochesterArea.org and clicking on “donors” and then following the various links.



The Rochester Art Center maintains an agency endowment fund with the Rochester Area Foundation. Grants from the foundation also assisted the center with building its new facility next to Mayo Civic Center.

Building community
since 1944



LEGACY — BUILDERS

The foundation also offers named funds that offer charitable impact to donors:

- Unrestricted funds that are donated allow the foundation to respond to the changing needs of our community.
- Field-of-interest funds enable donors to focus on a particular area of charitable activity.
- Donor-advised funds allow the donor to recommend specific organizations to receive grants from their named fund. For a free brochure about donor-advised funds, contact our office.
- Donor-designated funds distribute grants to agencies specified by the donor at the time the fund is established.

■ For more information about the various funds the Rochester Area Foundation offers, or to make a donation, please call our office at **507.282.0203**, or e-mail us at **info@RochesterArea.org**.



Rochester Area Foundation Executive Director Steve Thornton is interviewed by news crews from KAAL and KTTX/KXLT during a ribbon-cutting ceremony at the foundation's new offices on Second Street SW in January 2005. The ribbon-cutting was hosted by members of the Rochester Area Chamber of Commerce ambassadors.

Building community
since 1944



Rochester
Area Foundation

We work with financial advisers

Professional advisers throughout the Rochester area help the foundation by telling their clients about how our organization can meet their philanthropic needs.

Many of the advisers who are aware of our foundation have an increasing number of clients who may be looking at forms of charitable giving. We appreciate the opportunity to help advisers assist their clients explore their interests and create strategic giving goals.

The clients of some advisers perhaps have been successful as business owners and want to give back to our community, which has helped them succeed over the years. Some clients may want to involve their families in a way that helps bring them together to make good giving decisions. In other cases, advisers' clients may just want to help others.

Whatever the situation, today's donors ask more questions and look to their professional advisers for answers and guidance each step of the way. Charitable giving with the Rochester Area Foundation is easy and we can customize funds to match just about any donor's interests and needs.

The foundation's professional staff is available to meet with area advisers to tell more about giving through the Rochester Area Foundation, and also is available to discuss options with advisers' clients. Please call our office at 507.282.0203 or send an e-mail to us at info@RochesterArea.org for a confidential conversation.



Al DeBoer serves as the Rochester Area Foundation's development director and works with area professional advisers. To contact him, call 507.424.3755, Ext. 111, or send an e-mail to al@RochesterArea.org.

Building community
since 1944



Rochester
Area Foundation

LEGACY — BUILDERS

New funds brought to foundation

A community foundation serves as a link between the community and those who want to help it. In bringing resources into a pool, an endowment of sufficient size is created and can be used to tackle community needs.

The funds listed on the next two pages indicate those that were brought to the foundation in 2004. A complete list of funds already placed with the foundation can be found on our web site at www.RochesterArea.org.

The charitable purposes for which these funds were established are fulfilled by the foundation in accordance with the donors' or trustees' wishes, or at the discretion of the foundation's Board of Trustees. The Rochester Area Foundation acknowledges with gratitude donations made by the individuals, families, companies and organizations listed.

New donor-designated funds

Donor-designated funds distribute grants to agencies specified by the donor at the time the fund is established.

Bernelda W. Busian Donor-Designated Fund

Established April 30, 2004

The children of Bernelda W. Busian created this fund to provide perpetual care for the Evergreen Cemetery in rural Dover, where Mrs. Busian is buried. The cemetery's association plans to use the fund for long-needed capital improvement projects.



Robert and Lois Jorstad created a donor-designated fund to provide funding for the Stewartville Area Historical Society. The society is housed at the Stewartville birthplace of Richard W. Sears, founder of Sears, Roebuck and Co.

Building community
since 1944



Rochester
Area Foundation

Stewartville Area Historical Society Fund - Robert and Lois Jorstad

Established Nov. 12, 2004

Robert and Lois Jorstad lived in Stewartville for a quarter-century, during which time Robert served as schools superintendent there. When they moved to Rochester in 2001, the couple donated many items of interest to the Stewartville Area Historical Society. The new fund will help the society with the upkeep of its collections.

New agency endowment funds

Agency endowment funds are particularly useful to organizations whose contributions fluctuate with changing economic conditions. Donations to the funds will help ensure the future growth of the agencies.

Soldiers Field Veterans Memorial Fund

Established December 2004

This fund was established for the perpetual care of the Soldiers Field Veterans Memorial at Soldiers Field in Rochester. The fund was announced at Veterans Day ceremonies in November 2004 by area veterans, the city of Rochester and the Rochester Area Foundation.

Zumbro Valley Medical Society Foundation Fund

Established Nov. 22, 2004

The Zumbro Valley Medical Society celebrated its 75th anniversary in 2003. It is made up of spouses of physicians, resident physicians and medical students. Members have dedicated their energies to developing and implementing award-winning community health projects in Olmsted County, with particular emphasis on children.

New donor-advised funds

Michael and Nancy Domaille

Established Oct. 2, 2004

RE/MAX of Rochester

Established Dec. 20, 2004

Zubay Family

Established Dec. 20, 2004

Natalie Thornton Webb

Established September 2004

New endowment funds

Among the most desirable gifts to the Rochester Area Foundation are those to the new Endowments for Community Excellence, which are five permanent endowments to help ensure our long-term success and the many organizations we support. These new funds allow donors to choose an area of interest that will help support the future of our community. The new funds, established in December 2004, are:

**Arts and Culture Endowment
Community Development Endowment
Education and Lifelong Learning Endowment
Scholarship Endowment
Youth Athletics and Recreation Endowment**

Please call our offices at 507.282.0203, or send an e-mail to info@RochesterArea.org for a free brochure detailing these endowment funds.

■ You can view all the Rochester Area Foundation's funds by type of fund by going to our web site at **www.RochesterArea.org** and clicking on "donors" and then clicking on "a listing of our funds," where you will find every fund sorted by type.

Donations allow us to help others

Our donors give to existing funds or create new ones that carry out their charitable interests. By joining together, concerned donors are able to leverage their resources to bring about a better future. Here is a list of 2004 donors to the Rochester Area Foundation:

Ability Building Center Foundation Inc.
Ads & Art
Peggy and Howard Andersen
Gail L. Anderson
Michael and Susan Anderson
Ronald and Lori Anderson
Charles and Jane Andrews
Arc of Southeastern Minnesota
Dick and Judy Argue
Barbara Baker
H.L. "Bud" Baker
Dr. Fred and Gilda Banfield
James and Lily Barcelona
Barbara and J.D. Bartleson
Bill and Lora Beaupre
Craig and Elizabeth Beck
Brad and Anne Becker
Don Beed
Claire Bender, M.D.
Ken and Aline Berge
Robert and Diane Bergland
Bill and Elva Bergstedt
Daniel and Sandra Berndt
Scott and Michele Berndt
Allen and Nancy Berning
Janet Beyerink
Wallace and Faye Bigelow
Charles and Judith Bird
Brian and Hazel Blenkush
W. P. and Linda Bonow
Mark and Elizabeth Bornholdt
Bernard and Susan Bouquet
Jim and Janice Bouquet
Fran Bradley
Gordon Branes
John and Sharon Brodhun
Grace Brown
Dr. Larry Brown

Jinny and Philip Brown
Richard and Nancy Brubaker
Thomas Bruckman
Kathy and Mark Brutinel
Jason and Katie Buckmeier
Michael Bue
Helmut and Heide Buettner
Mahlon and Marilyn Burbank
The Bush Foundation
Bernelda Busian Estate
Douglas and Susan Butler
John and Dorothy Callahan
Mark and Jane Callahan
Callaway Galleries Inc.
Camp Olson - YMCA
Jane K. Campion
Mary E. Campion
Canadian Honker Restaurant and Catering
Marc and Helen Carpenter
David Carrow
Peter Carryer
Child Care Resource and Referral
Robert C. Christianson
City of Rochester
Civic League Day Nursery
Jim and Sue Clausen
Irene and Rick Colvin
Dr. and Mrs. Daniel C. Connolly
Elizabeth L. Cronin
John Cronin, Jr.
Custom Alarm
RBC Dain Rauscher Foundation
Ellen and Clelland Darr
Donald and Barbara De Cramer
Allan and Ann DeBoer
James and Marijane DeWeerd
Bernie and Sandy Dilley
Anne and Robert Dinapoli
David E. Dines, M.D.
Mike and Nancy Domaille
Ronice Donovan
Kara Dorn
Susan and David Dripps
Dr. Joseph and Lois Duffy
Dunlap & Seeger Law Firm
Joel Dunnette
P. J. and Isabelle Dyck
Eastwood Bank
David and Holly Ebel
Darla Edwards

Chuck and Marlys Elliott
Gary and Janet Ellis
Doris Engelhart
David and Karen Erlenbusch
Express Personnel Services
Tim and Cheryl Fedje
Ann and Steven Felton
Richard and Claire Field
First Federal Bank
First Homes
First Security Bank
Robert and Cynthia Fleming
Larry Flicek
Arne and Kay Fockler
Mike and Joy Fogarty
Clarence and Rebecca Fredricksen
Daniel and Judy Fredrickson
Bud and Jean Freeman
Friends of Mayowood Residence and Historic Sites
Peter and Wendy Gay
Joe and Jo Gibilisco
Darrell and Ellen Gill
Janice Gipple
Andy and Allie Good
Joyce M. Gossman
Clive and Karen Grant
David and Juanita Griffin
Marcia and Larry Grimm
Robert and Ann Groover
Chuck Gysi and Lisa Stephens
Kenneth and Florence Haack
Donald R. Halley
Hammond Associates Inc.
David and Barbara Hanlon
Jeffrey and Misha Hanson
Ruth Hanson
Paul and Rebecca Harkess
Mike and Mary Harper
Dorothy Hartman
Edward Haskell and Naomi Lipsky
Charles and Almira Hazama
Susan Hefel
John and Susan Heggen
Robert and Karen Heim
Christy Heinle
Buff Hennessey
Char and Norm Hepper
Thomas and Judy Herold
Mrs. Margaret Herrell
Hiawatha Homes Foundation

Matthew and Marie Hlavacek
Marianne Hockema
Dr. and Mrs. Stephen F. Hodgson
George and Sandra Hohberger
Mary Jane Holland
Ginger and David Holmes
Home Federal Savings Bank
Home Instead Senior Care
Pastor Lester J. and Dianna Horntvedt
Jim and Koyla Hrabe
Isabel and Ken Huizenga
John and Rita Hunt
John and Mary Lou Hunziker
Dan and Judy Hutton
Eric and Lois Hyde
Phyllis Jacobs
Michael Johanns
Galen and Sara Johnson
Larry and Janet Johnson
Leigh and Judy Johnson
Willard and Lorraine Johnson
Johnson Printing
Brendt Jones
Robert and Lois Jorstad
Dr. John and Kristy Juergens
KAAL TV
Abdul Rashid A. Kadir and Stacey Vanden Heuvel
Carol and Reuben Kamper
David Kane
Priti Kang
Bill and Jeannine Karnes
Carter and Amy Keller
Eugene Keller
Daniel and Mary Jo Kelly
Denise and Thomas Kelly
Steve and Judy Kereakos
Jennifer and David Kim
Earl and Diane Kinneberg
Sheila and Richard Kiscaden
David and Connie Klein
Duane and Susan Klein
Bill and Mary Ann Kleis
John A. and Dorothy Klopp, Jr.
Allen and Anne Koenig
Lyle and Nancy Kuhlmann
Clifford Laging
Angela Lambert
Del and Kathy Lawson
Dr. Andrew J. LeRoy and Margaret Kehl
Dr. Louis and Marie-France Letendre

Donors

Building community
since 1944



Rochester
Area Foundation

LEGACY — BUILDERS

Building community
since 1944



Judith Lewis
Alan and Margaret Lichty
Amphavanh Lithyouvong
Ed and Marge Manahan
Dr. and Mrs. James K. Masson
Terence and Mary Maus
Mayo Medical Center - Mayo Foundation
McGladrey & Pullen
John and Judy McGuire
Donald and Alice McIlrath
James and Judy Mellinger
Merchants National Bank
Edd Merritt
Daniel and Judith Mersel
Jane Metcalf
June and Glenn Miller
Joanna Miller
JoMarie Morris
Charlotte Mortenson
George and Ruth Moyer
Leigh and Joan Murphy
Mary Elizabeth Mussey Estate
Craig and Vicki Mussman
Brad and Terry Narr
Shirley Nelsen
Audrey M. Nelson, M.D.
Stella Nelson
Terry and Carla Nelson
Mark and Gwenn Neville
Bernard and Julie Nigon
Nuss Truck Group Inc.
David and Gwenda Oeth
Paul and Beverly Olander
Olmsted County
Olmsted Medical Center
William and Della Otradovec
Brian and Michele Otradovec
Valerie and David Pace
William and Sharon Padgett
Glen and Susan Papenfuss
Charles and Mary Pappas
Thomas and Holly Parker
E. Dudley and Margaret Parsons
Brad and Susan Paulson
Jessica Peterson
Dr. and Mrs. Robert M. Pettit
Esther E. Pfeifer
Daisy B. Plummer Trust
Post-Bulletin Co.
Joseph and Wendy Postier
Brian and Anne Purrington
Betty Qualey
Bruce and Sara Qualey
Dennis and Karen Rawlins
RE/MAX of Rochester
Dale and Barb Richter
Mrs. Lucille Rietmann

Linda Rings
Rochester Area Family Y
Rochester Catholic Schools
Rochester Civic Theater
Rochester Community and Technical College
Rochester Harley Davidson
Rochester Music Guild
Rochester Orchestra and Choral
Rochester Sesquicentennial
R.C. and Petrea Roesler
Steve and Linda Rolsch
Jeff and Sharon Rome
Paula Rome
Edward and Janice Rowley
Marilyn Salley
Betty and Bob Sande
Forrest and Faye Sargent
Paul and Maggie Scanlon
Terri Schacht
Brian and Melinda Schaefer
Alan and Julie Schafer
Dr. and Mrs. Thomas T. Schattenberg
Jerry and Barb Schliep
Robert Schoenfelder
Dr. Donald and Georgia Scholz
Betty Schoondyke
Dean and Barbara Schrandt
Karl Schuller and Linda Frie
Milton F. Schumann and Rosie M. Schumann
Ronald and Theresa Seeger
Joel and Margie Seigle
Sesquicentennial Committee
Alan Sessler
Larry and Dr. Wendy Shannon
William Siggelkow
Thomas Sitzler
Bruce and Kris Smith
Smith Schafer & Associates, Ltd.
William and Judy Smithson
Soldiers Field Veterans Memorial Inc.
Dr. Frank and Sandra Soltis
Mr. Henry N. Somsen
St. Charles Catholic Church
David and Sara Stenhaus
Steve Knutson State Farm Insurance
Stewartville Area Community Foundation
Donald and Colleen Sudor
Sunstone Hotels
April Sutor
Dr. Harry and Delores Swedlund
Richard and Dorothy Symmonds
James and Joyce Talen
Mark and Sheryl Tasler
Frank and Karen Taylor
Bill and Judith Taylor

Harvey TePoel
Ray and Annalee Thomas
Thompson Law Office
Brad and Emily Thornton
Steve and Nancy Thornton
Arnie and Marilyn Tietz
Title Services Inc.
Cecilia Tomlonovic
Kathleen Tomlonovic
Gary and Ann Trelstad
Steven and Nancy Trost
Virgil and Jacqueline Trotter
Christopher True
Alan and Sharon Tuntland
United Way of Olmsted County
University of Minnesota
U S Bank
Sharon A. Van De North
Dr. Louis and Virginia Vaughn
Harold and Dalia Vietor
Guy and Kara Vig
John and Peg Wade
Joyce Walker
Dwight and Joan Ward
Jean and George Waters
Neil Weaver
Karel M. Weigel
Weis Builders Inc.
Wells Fargo Bank
Wells Fargo Mortgage
Daniel and Susan Welsh
Dave and Delores Welte
Craig and Judy Wendland
Wendland & Utz
Andrew Westreich and Sandra Taler
Nedra and John Wicks
Joseph and Sharon Wieners
William and Jane Wimmer
Michael and Nanette Winsell
Donis L. Winters
Charles and Barbara Withers
John and Patricia Withers
Dr. Lester Wold and Dr. Patty Simmons
Howard Wood
Douglas and Lori Wright
Mrs. Joanne Wright
Ron and Judy Yaggy
Karen and Steven Ytterberg
Jane and John Yunginger
Dawn Zeller
Kenneth and Mary Zubay
Zumbro Valley Medical Society

In memory of

The Rochester Area Foundation joins in

the remembrance of these friends and loved ones in 2004:

Craig Beck
Norman Betcher
Leon Blenkush, Jr.
Keith Bulleymont
Kenneth Devine
Paul Dilley
Marcie Fabian
Mary Gifford
Glen Hartman
Catherine Hrabe
Elmer Hrabe
Patricia Judd
Ed Keller
Michael Klampe
Harold Kruger
Dorothy Laging
Gregg Laging
Lois Lenz
Anne Manahan
Dr. William McConahey
Marian McGoon
Thelma Merritt
Dr. Thomas Parkin
Lucille R. Phillips
Martha Price
Nancy Weems Svien
Henry Tvedt
Natalie Thornton Webb
Mary Jo Weis
Magdalene Wesely

In honor of

The Rochester Area Foundation joins in honoring these friends and family members in 2004:

Bill and Lora Sam Beaupre
Carole Brown
Jane K. Campion
Ginger Holmes
Christopher Anton Nelson
JoMarie Morris

First Steps

Here is a list of 2004 donors to the Rochester Area Foundation's First Steps initiative:

David and Margo Herman
David and Gwen Oeth
Dave and Joyce Wenz

It all adds up for your foundation

Rochester Area Foundation

Financial statement

Balance sheet

Dec. 31, 2004, and Dec. 31, 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$972,389	\$1,190,791
Interest and dividends receivable	72,765	94,201
Pledges receivable, net	1,002,450	32,095
Notes receivable	103,600	109,800
Investments	23,956,255	22,273,974
Loans receivable	1,365,581	1,279,732
Land and development costs	1,752,423	830,190
Equipment, at cost	34,455	58,344
Other assets	41,460	39,760
Community land trust	3,419,039	2,028,244
Total assets	\$32,720,417	\$27,937,131
<u>Liabilities and net assets</u>		
Liabilities		
Accounts payable	\$84,450	\$82,960
Grants payable	122,920	133,049
Deferred revenue	982,402	1,011,284
Unitrust obligations	715,000	684,000
Refundable advances	1,328,598	788,738
Total liabilities	3,233,370	2,700,031
Net assets	29,487,047	25,237,100
Total liabilities and net assets	\$32,720,417	\$27,937,131

Financial

Building community
since 1944



Rochester
Area Foundation

— L E G A C Y — B U I L D E R S —

First Homes

2005 Report to the Community



B U I L D I N G L E G A C I E S



Building homes
since 2000

**Our offices:**

First Homes maintains offices with the Rochester Area Foundation and First Steps in the Rochester Area Foundation Center at 2200 Second St. SW in Rochester.

Office hours are 8 a.m. to 5 p.m., Monday through Friday. We can be contacted in any of the following methods:

Mail or in person:

First Homes -or- First Steps -or- Rochester Area Foundation
Rochester Area Foundation Center
2200 Second St. SW, Suite 300
Rochester MN 55902-4125

Phone:

- First Homes: 507.287.7117
- Rochester Area Foundation: 507.282.0203
- First Steps: 507.282.1027
- Shared fax line: 507.282.4938

E-mail:

- First Homes general e-mail: info@FirstHomes.org
- Rochester Area Foundation general e-mail: info@RochesterArea.org
- First Steps general e-mail: info@FirstSteps.us

Web:

- www.FirstHomes.org
- www.RochesterArea.org
- www.FirstSteps.us

© 2005 Rochester Area Foundation

Staff:**■ Sean Allen**

First Homes Executive Director and
Rochester Area Foundation Assistant
Director

E-mail: sean@FirstHomes.org
Direct phone: 507.424.3755, Ext. 105

■ Jane Campion

Foundation Grants Administrator
E-mail: jane@RochesterArea.org
Direct phone: 507.424.3755, Ext. 106

■ Al DeBoer

Development Director
E-mail: al@RochesterArea.org
Direct phone: 507.424.3755, Ext. 111

■ Kevin Ewing

First Steps Director
E-mail: kevin@FirstSteps.us
Direct phone: 507.424.3755, Ext. 103

■ Sheila Fishbaugher

Administrative Assistant
E-mail: sheila@RochesterArea.org
Direct phone: 507.424.3755, Ext. 100

■ Chuck Gysi

Communications/Program Officer
E-mail: chuck@FirstHomes.org
Direct phone: 507.424.3755, Ext. 104

■ Shirley Lee

First Homes Program Officer
E-mail: shirley@FirstHomes.org
Direct phone: 507.424.3755, Ext. 107

■ Cheryl Richardson

First Homes Program Officer
E-mail: cheryl@FirstHomes.org
Direct phone: 507.424.3755, Ext. 101

■ Steve Thornton

Foundation Executive Director
E-mail: steve@RochesterArea.org
Direct phone: 507.424.3755, Ext. 102

FIRST HOMES BOARD

Chair:**Karel Weigel**

Mayo Foundation

Vice chair:**Roxanne Hellickson**

F&M Community Bank, Chatfield

Treasurer:**Jo Mahn**

Three Rivers Community Action

Secretary:**Trent Fluegel**

Fluegel Home Analysis LLC

Directors:**Ahmed****Elkhalifataha**

U S Bank

John Hunziker

Olmsted County History Center

Mary Jo Kelly

Retired, IBM Corp.

Denise Moody

Homeowner

Jeff Vert

Southeastern Minnesota Center
for Independent Living (SEMIL)

Builder Advisory**Review Committee:**

Aaron Benike | Al DeBoer
Don DeCramer
Trent Fluegel
Andy Masterpole
Terry Spaeth | Jeff Vert

3 Chair's report

4 Heritage Homes

5 Land trust

6 Imagine Kutzky

8 Collaboration

9 Our year at a glance

10 First Homes backgrounder

11 Our partners

12 Our donors

13 Financial report

Committed to housing innovation

Building a legacy one step at a time: A concept | A home | A development | A neighborhood | A community

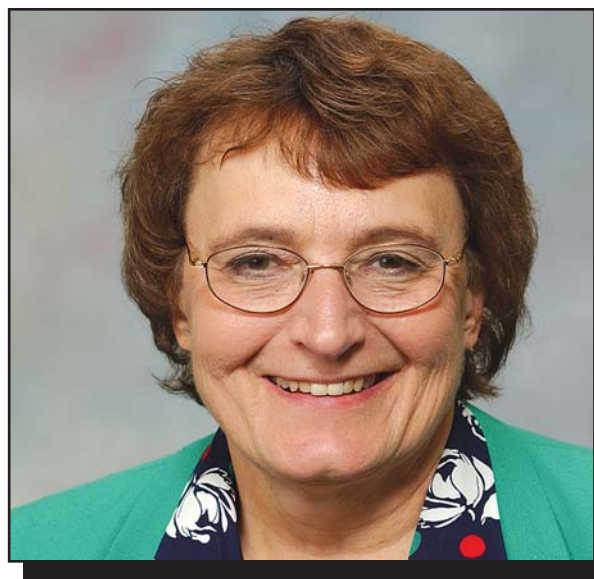
First Homes began as a public-private sector partnership to create a communitywide solution to a communitywide housing shortage. At the outset, First Homes developments integrated starter homes for working families with market-rate housing, also known as mixed-stock housing. It is significant that First Homes houses were built not just in Rochester, but in communities within a 30-mile radius of the city. This offered an urban-rural choice to the homebuyer and preserved the tax base in these smaller communities to fund important civic infrastructure such as schools and public safety.

First Homes remains committed to innovative housing initiatives from new home construction to financing with community land trust (CLT) to lower the cost of the home and increase eligibility for more homebuyers. The Heritage Homes program is the next step beyond individual houses and developments; its purpose is to remodel existing housing stock and resell it as a CLT house. Our experience with the Kutzky Park area in Rochester demonstrates that when one property is improved, “fix-up fever” is infectious.

While the most important legacy First Homes builds is to the families who occupy them, we are pleased that the concept has continued to generate national interest of our success based on the broad-based partnership and civic participation. Best of all, everyone benefits from a vital community committed to sharing its high quality of life through sustainability of affordable housing. The wider legacy then can be demonstrated by what a community can achieve when it works together.

Karel Weigel

Chair | Board of Directors | First Homes



Karel Weigel has served as chair of the First Homes Board of Directors since its inception.

Report

Building homes
since 2000

Pride comes with homeownership

Adam Kohn says he wasn't ready to buy a home. Melinda Babineau says she was. Then Babineau read about First Homes' Heritage Homes program in the Post-Bulletin. Kohn says he then walked by a for-sale sign for a Heritage Homes property on First Avenue SW in Rochester. The couple now own that home.

First Homes transformed the neglected property in Rochester's Kutzky Park neighborhood into a showcase restored home. Kohn and Babineau didn't think they could afford to purchase a home, but with the land under the home retained by First Homes in its Homeownership Trust, and some additional funding assistance through various programs, the young couple are quite comfortable in their renovated house.

The Rochester Community and Technical College nursing students formerly rented an apartment on North Broadway. Kohn says that he always had to deal with parking while driving to St. Marys Hospital, where he has worked as a patient care representative for two years. Now, he walks to work. Likewise, Babineau can walk to the hospital for clinicals and her summer internship. Kohn graduates in December 2005 and Babineau finishes in May 2006.

The couple is fully moved into their home with their cats, Elvis and Priscilla. "After the first two nights, I felt at home," Kohn said of their move.

The bottom line is that they never thought they could become homeowners so quickly.

"We could not have afforded a house without this program," Kohn said of First Homes, adding: "It gave a young couple like us the opportunity to get into a home. We have the pride that we own our own home."



Melinda Babineau and Adam Kohn are proud of the Kutzky Park home that they now call home.

New home allows hometown return

Lifelong renter Cindy Kassel says she “knew a house would be perfect.” With the help of First Homes, “I can actually call this our home,” she says of her new residence.

Kassel, who was born and raised in Grand Meadow, lived all her life there until moving herself and her two sons, Jeremy, 13, and Caleb, 11, to Rochester late last year. She knew she wanted to return to Grand Meadow, but little did she know she would in such grand style.

Her brother and his fiancée lived in a new development called Pheasant Run behind the new domed Grand Meadow School. Between learning about the development through them and ads in local newspapers, Kassel got to thinking about making the move back to the Mower County community.

She called the developer, Semcac, worked with loan officer Pam Bleifus at Wells Fargo Bank in Stewartville and in less than two months, she transformed her family from renters into homeowners.

Kassel’s new three-bedroom home is in First Homes’ Homeownership Trust, a mechanism where First Homes owns the land under the home and Kassel owns the house itself.

The patient services representative at Mayo Clinic is happy, excited and proud about her family’s return to Grand Meadow.

“It has made us more relaxed,” she said. “It’s more enjoyable.”



Cindy Kassel and her two sons, Caleb, left, and Jeremy, right, moved back to their hometown into a First Homes Homeownership Trust house.

Land trust

Building homes
since 2000



Rochester
Area Foundation

— B U I L D I N G — L E G A C I E S —

Building homes
since 2000



Neighborhood group gets a boost

In 2002, leaders of the Kutzky Park neighborhood in Rochester were feeling frustrated as they began to watch their neighborhood deteriorate - again.

The Kutzky Park area began experiencing vast improvements after their neighborhood association formed in 1996. But the area still was mixed and conditions fragile. Then, in 2000, a combination of a drop in economic conditions, an oversaturated housing market and pressure from commercial development led to neighborhood conditions in Kutzky Park taking a turn for the worse.

Houses were being converted to rental at a rapid rate, already poor rental properties became worse, criminal activity quickly followed and property owners began to see economic benefit in inviting deterioration as they saw lucrative sellouts to commercial developers on the horizon.

By 2002, neighborhood leaders were spending hours of volunteer time each week trying to deal with development proposals in their neighborhood. But without the skills, time and connections needed to be proactive and professional, the Kutzky Park Neighborhood Association (KPNA) always was reacting in negative ways and taking an obstructionist approach.

After KPNA leaders were introduced to the Rochester Area Foundation and First Homes, things began to change.

Realizing that an opportunity to create positive change in the community existed in this group of neighborhood leaders, staff from Rochester Area Foundation and First Homes began mentoring the KPNA as they crafted a process to engage the neighborhood and larger community in revitalizing their neighborhood.



Kutzky Park leader Andy Masterpole makes a point at a neighborhood meeting. A matrix of the neighborhood is behind him.

■ To learn more about the Kutzky Park Neighborhood Association or Imagine Kutzky, go to **www.KutzkyPark.org**, or call Stephanie Kilen at **507.424.3755, Ext. 110**.

Imagine Kutzky

Rochester Area Foundation and First Homes offered a leadership grant to the effort, which will result in tangible, positive changes for neighbors and developers.

Today, after an intense visioning process with the neighborhood and discussion with other neighborhood stakeholders, Imagine Kutzky is implementing improvements that never would have been possible before. The Imagine Kutzky process implemented an advisory board consisting of community leaders from outside the neighborhood, and reached out to other stakeholders in the neighborhood such as landlords and businesses. This was an important step in recognizing that interdependency for success exists between neighborhoods and the larger community.

The catalyst effect that Imagine Kutzky has had in Kutzky Park has resulted in desperately needed repaving of neighborhood streets, planting of more than 60 neighborhood street trees, stronger leadership in the neighborhood association, invigorated participation in neighborhood meetings, and initiation of a land use plan amendment for the Kutzky Park area. And after several past attempts over the years to implement traffic-calming measures that would reclaim streets as true neighborhood streets, Imagine Kutzky has worked with the city to approve a traffic-calming plan that was to be phased in beginning in the summer of 2005.

Throughout the year, Imagine Kutzky will be working to improve public space, implementing strategies to improve housing conditions, and laying the foundation to solicit redevelopment to the area by creating architectural standards, and urban design guidelines. In addition, the proposal for new, more appropriate zoning is being drafted to ensure new development fits the character of the neighborhood and builds on, as well as protects, existing assets.

The empowerment that has been cultivated in neighborhood leaders through the Imagine Kutzky process is now enabling them to turn toward further implementing the vision and sustaining the hard work already accomplished. Recognizing needs in other neighborhoods, we are moving into the future by expanding the Imagine Kutzky process to create change throughout Rochester's core neighborhoods.

Imagine Kutzky is creating change in a way neighborhood leaders never thought possible three years ago. Through the support and mentorship of First Homes and Rochester Area Foundation, the leaders of Imagine Kutzky who once were pessimistic about the future of their neighborhood are now confident that all neighborhoods in our community can be empowered toward the path to change.



What is Imagine Kutzky?

Imagine Kutzky is a reinvestment initiative and partnership established to help the Kutzky Park neighborhood embrace development. As an organization, the Kutzky Park Neighborhood Association was increasingly reacting to development proposals, often in negative terms.

In an effort to find a way to encourage new development and preserve and enhance the neighborhood, a new model for neighborhood involvement was needed and Imagine Kutzky emerged.

Interdependency for success:

- Recognition that a healthy Kutzky Park is an asset to the city - there are many stakeholders in the neighborhood.
- Business and neighborhood interests often are mutual - interdependency for success.
- Private investment and development is critical for revitalization.
- Imagine Kutzky is working to change the interaction model from "obstructionist" to "partnership."
- To ensure the neighborhood's vitality in the future and balance needs of all stakeholders, a comprehensive plan must guide redevelopment
- Embracing a more urban character - builds on assets, brings opportunity for central-city growth and investment.

Partnership helps to build houses

Without the long-term partnership that First Homes has shared with Three Rivers Community Action Program, there wouldn't be a story like this:

■ A young woman with two children, another on the way and a new husband were living three years ago near Zumbrota in a subsidized two-bedroom apartment, much too overcrowded for a family of five. The woman heard about the Wazuweeta Woods development in Pine Island, brought forth through a partnership between Three Rivers and First Homes. With a subsidized four-bedroom apartment in the development's apartment building, the young woman and her family found space there more fit for their family.

Today, the partnership between First Homes and Three Rivers continues with the construction of Harvest Ridge, a new neighborhood in Plainview. The development, under construction with residents already moving in, consists of 20 rental townhouses and 30 single-family homes. Of those new homes, 18 will be sold through First Homes Homeownership Trust program, while 12 will be market-rate homes.

As a non-profit housing developer, Three Rivers aims to increase the supply of safe, decent housing that is permanently affordable to low- and moderate-income families. The partnership with First Homes allows Three Rivers to offer their homes for an even lower price because First Homes retains ownership of the land, thus effectively reducing the cost of the home.

"We know that our partnership with First Homes gives us the ability to not only offer quality starter homes to working families, but also to make those homes even more affordable through the Homeownership Trust," Jenny Larson, Three Rivers' community development director, said.



Jenny Larson, Three Rivers' community development director, left, and Teresa Grossbach, Three Rivers' housing placement coordinator, right, review plans for new homes being built in the new Harvest Ridge neighborhood in Plainview.

Building homes
since 2000

2004 busy year for housing initiative



First Homes Executive Director Sean Allen speaks after the Heritage Homes program was presented with an award in November 2004 from the Rochester Committee on Urban Design and Environment (CUDE). The award was recognition for rehabilitation and renovation, specifically for efforts to renovate a home in the 1500 block of First Street SW in the Kutzky Park section of Rochester.



First Homes Chair Karel Weigel addresses those in attendance at a Kutzky Park neighborhood gathering to recognize the progress of First Homes' Heritage Homes rehabilitation program. The event took place in August 2004.



First Homes conducted a news conference in August 2004 to announce that it was offering a challenge grant to help offset subsidy cuts that affect persons receiving Section 8 Voucher Program rent assistance.

Year at a glance

Building homes
since 2000

Building homes
since 2000

First Homes continues to expand

Eight years ago, Paul Barton and David Thompson of U S Bank and Al DeBoer and Steve Thornton of the Rochester Area Foundation sat down and talked about the shortage of starter homes for working families in the greater Rochester area. Out of that discussion, U S Bank later stepped forward with one of the first significant pledges to kick off a program to be known as First Homes.

The foundation launched First Homes in late 1999 and the program got under way in 2000. From an ambitious goal of 875 starter homes, the housing initiative has hit more than 650 by mid-year 2005 - with 229 below-market-rate rental units and 424 new homes.

Today, First Homes has built new housing in the following communities in a 30-mile radius of Rochester: Byron, Chatfield, Dover, Goodhue County, Grand Meadow, Kasson, Pine Island, Plainview, Rochester, St. Charles and Spring Valley.

The year 2004 saw a significant change for First Homes. The initiative kicked off its new Heritage Homes program, which works to upgrade homes close to downtown Rochester and put them into the Homeownership Trust. The rundown or abandoned homes receive important upgrades to convert them into starter homes for working families. At the same time, the project offer neighborhood stabilization while improving deteriorating housing stock.

In 2005, First Homes took time to observe its 100th home sold through the Homeownership Trust. The community land trust helps to keep the homes affordable for future homebuying families, too, because First Homes retains first right to purchase the home when the owner decides to sell.



First Homes has placed more than 650 families in below-market-rate rental units and single-family homes in a 30-mile radius of Rochester.

B U I L D I N G — L E G A C I E S

Partners are a part of our success

Following is a list of partners who have helped make First Homes a success. We are indebted for the help of every partner.

Bessler Management
Bigelow Builders
City of Byron
City of Chatfield
City of Dover
City of Grand Meadow
City of Hayfield
City of Kasson
City of Pine Island
City of Plainview
City of Rochester
City of St. Charles
City of Spring Valley
City of Zumbrota
Community Housing Partnership
County of Olmsted
Countrywide Home Loans
David Drown Associates
DeWitz Construction
Eastwood Bank
Fannie Mae
Federal Housing Administration
Five-Star Homes
Freddie Mac
GGG Inc.
Greater Minnesota Housing Fund
Home Depot
Home Federal Savings Bank
Kutzky Park Neighborhood Association

Lumber One Avon
Mayo Foundation
McGhie & Betts Inc.
Menard's
Merchants Bank
Minnesota Community Land Trust Coalition
Minnesota Housing Finance Agency
Ohly Law Office
Olmsted County Housing and Redevelopment Authority
PADCO Inc.
Peoples State Bank of Plainview
Premier Bank
Rochester Area Chamber of Commerce
Rochester Area Foundation
Rochester Area Habitat for Humanity
Rochester Title & Escrow Co. Inc.
Semcac
Shelter Corp.
Southeast Minnesota Association of REALTORS
Southeastern Minnesota Multi-County Housing and Redevelopment Authority
Southern Minnesota Initiative Foundation
Springer Appraisal Associates Inc.
Three Rivers Community Action
Title Services Inc.
Tonna Mechanical
U S Bank
U.S. Department of Agriculture Rural Development
U.S. Department of Housing and Urban Development
Weis Builders Inc.
Wells Fargo Home Mortgage

Building homes
since 2000



Rochester
Area Foundation

B U I L D I N G — L E G A C I E S

Donations help build new houses

Here is a list of those who made donations to the Rochester Area Foundation's First Homes initiative in 2004:

Mr. and Mrs. Richard E. Badger
 Jessica Baumgard
 Chuck's Appliance
 Community Housing Partnership
 Eastwood Bank
 Ford-Metro
 Ms. Marjorie Ginn
 Glenn Miller Interiors
 GLS Industries
 Robert and Dorothy Gores
 Shirley Gove
 Mr. and Mrs. Leon E. Gregg
 Wanda Hagquist
 Mayo Clinic
 Donald and Alice McIlrath
 Paul and Gail Ohly
 Olmsted County
 Edna Owenz
 Park Place Motor Cars
 Dr. and Mrs. Thomas T. Schattenberg
 Schmidt Goodman Office Products
 SEMMCHRA
 Springer Appraisal Associates, Inc.
 Strongwell
 Bill and Judith Taylor
 Virgil and Jackie Trotter
 U S Bank
 Pauline R. Utzinger
 Wells Fargo Mortgage
 Donis L. Winters
 Dr. Lester E. Wold and Dr. Patricia S. Simmons
 William and Judith Young

In memory of:

The Rochester Area Foundation's First Homes initiative joins in the remembrance of these friends and loved ones in 2004:
 Donald D. Hagquist



Gus Newport, center, executive director of The Institute for Community Economics in Springfield, Mass., speaks with Stephanie Kilen, left, of Imagine Kutzky, and Marcia Marcoux, a Rochester City Council member, during a ceremony observing the sale of the 100th community land trust property for First Homes in March 2005.

Building homes
since 2000

Numbers add up to starter homes

First Homes

Financial statement

Balance sheet

Dec. 31, 2004, and Dec. 31, 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$517,661	\$1,109,046
Pledges receivable, net	1,000,050	26,900
Notes receivable	103,600	109,800
Investments	2,538,084	3,146,206
Loans receivable	1,365,581	1,279,732
Land and development costs	1,752,423	830,190
Community land trust	3,419,039	2,028,244
Other assets	12,898	17,555
Property and equipment, net	26,386	41,905
Total assets	\$10,735,722	\$8,589,578
<u>Liabilities and net assets</u>		
Liabilities		
Accounts payable	\$32,080	\$18,526
Deferred revenue	982,402	1,011,284
Due to Rochester Area Foundation	26,489	37,301
Total liabilities	1,040,971	1,067,111
Net assets	9,694,751	7,522,467
Total liabilities and net assets	\$10,735,722	\$8,589,578

Building homes
since 2000



Rochester
Area Foundation

— B U I L D I N G — L E G A C I E S —