25 years ago, the Initiative Foundation was created to counteract an economic crisis by helping people to help themselves and diversifying the regional economy. Today, we find ourselves fighting a similar foe as Central Minnesota’s only regional entity that focuses on economic growth and opportunity.

The past year has been defined by a relentless commitment by our board, staff and volunteers to help communities recover and succeed again. At the core of our work is the belief that a quality job is the most essential element of a stable family and a thriving community.

Through our 2010 Key Stakeholder Survey and regional focus groups, more than 1,200 leaders indicated that economic and workforce development should be the Initiative Foundation's top priority. That’s why our new five-year strategic plan calls for creating economic motion through a complete Quality of Life approach.

This includes providing targeted business financing, deepening public-private partnerships, preparing the current and future workforce, strengthening nonprofit safety nets, and enhancing environmental and recreational amenities that support families and business growth. None of these are effective solutions alone, but they are powerful together.

Thank you for your past and future support as we seek new partners, new ideas, and new action for Central Minnesota.

All the Best,

Lee Hanson
Board of Trustees Chair

Kathy Gaalswyk
President

2010 Annual Report
(FOR THE PERIOD 1/1/10 – 12/31/10)

Mission
Unlock the power of central Minnesota people to build and sustain thriving communities.

Service Area
We are proud to serve the 14 counties and 160 cities of Central Minnesota.

Key Tools:
• Provide loans to businesses that create quality jobs
• Award grants to nonprofits, local governments and schools
• Build public-private partnerships that lead to action
• Help generous people give back to their communities
• Publish information on local trends and solutions
A Look Back  CENTRAL MINNESOTA IMPACT (1986-2010)

Invested $38 million through 858 loans and investments in locally owned businesses

Created or secured 10,571 living-wage jobs

Leveraged $243 million in private business financing investments

Made 3,407 grants totaling $21.1 million

Awarded 628 scholarships totaling $489,120

Partnered with 1,900 leaders from 92 communities to plan and achieve a brighter future

Partnered with 1,587 leaders to improve the water quality of 224 lakes and rivers

Partnered with 1,242 leaders from 26 communities to prepare young children for lifetime success

Partnered with 1,143 leaders from 174 nonprofits to manage more effective organizations

A Look Forward

Five-year Strategic Priorities

1. Resilient Businesses
   - Invest in economic drivers like technology and manufacturing
   - Secure 1,500 quality jobs that pay at least $35,000 per year

2. Thriving Communities
   - Build a world-class workforce, starting with early childhood and youth
   - Enhance quality of life, natural resources & recreational amenities

3. Effective Organizations
   - Strengthen nonprofit ability to reduce employment barriers
   - Improve fiscal health of nonprofits that provide critical safety nets

4. Local Philanthropy
   - Create community, agency and donor funds that benefit local projects
   - Raise $14.6 million in endowment and external funding
2010 Financial Summary

Sources of Funds: $9,603,911

- Investment Income $3,901,363 | 41%
- Grants & Contributions $3,340,624 | 35%
- Business Financing Revenue & Repayments $2,182,911 | 23%
- Other Operating Revenue $179,013 | 1%

Uses of Funds: $7,052,785

- Business Investments $3,364,019 | 48%
- Grants, Scholarships & Training Programs $2,418,586 | 34%
- Foundation Operations $1,200,191 | 17%
- Special Projects & Other $69,989 | 1%

TRAINING PROGRAMS EXPENSES INCURRED*:

- Volunteers in Service to America $376,661
- Healthy Organizations Partnership $226,732
- Healthy Communities Partnership $209,342
- Early Childhood & Youth Engagement $138,937
- Healthy Lakes & Rivers Partnership $110,037
- New Initiatives/Other $10,303

TOTAL $1,072,012

Total Endowment Value: $32.8 million
Total Assets: $48.6 million

A complete audit report prepared by LarsonAllen, LLP is available upon request.

*Excludes grants.

BUSINESS FINANCING

Local Ownership, Quality Jobs

Investment Total $1,746,412

- Manufacturing 64% . . . . . $1,108,912
- Technology 17% . . . . . $300,000
- Service 13% . . . . . $227,500
- Environment/Agriculture 5% . . . . . $90,000
- Retail 1% . . . . . $20,000

TOTAL $1,746,412

GRANTS & SCHOLARSHIPS

Unlocking the Power of People

Investment Total $1,346,574

- Organizational Effectiveness 27% . . . . . $363,250
- Community & Donor Funds 22% . . . . . $295,076
- Innovation Fund 14% . . . . . $189,317
- Children, Youth & Families 13% . . . . . $175,000
- Hometown Improvement 10% . . . . . $142,786
- Natural Resources Preservation 6% . . . . . $81,395
- Economic Opportunity 4% . . . . . $52,300
- Scholarships 4% . . . . . $47,450

TOTAL $1,346,574
In 2010, more than 1,000 donors advanced the critical work of the Initiative Foundation. The Foundation also hosts 60 Turn Key Funds, local endowments (permanent investment accounts with annual returns) through which donors create legacies of charitable support for current and future generations.

### Donor-Advised Funds
- Anderson Brothers Family Fund
- Bob & Marsha Bunger Endowment Fund
- Bruce & Diane Gohman Fund
- Granite Equity Partners Fund
- Hanowski Family Fund
- John & Bonnie Schlegel Endowment
- Julius & Tracy Kurpius Fund
- Lake Region Conservation Club Fund
- Loren & Kathy Morey Family Fund
- Mark Wood Foundation
- Mel & Jeanette Beaudry Fund
- Paws & Claws Animal Shelter

### Community Funds
- Greater Pine Area Endowment
- Isle Area Community Foundation
- Morrison County Area Foundation
- Rum River Community Foundation
- Staples Community Foundation
- Three Rivers Community Foundation

### Agency Funds
- Big Fish Lake Association Fund
- Crosby Ironton Public Schools Foundation Fund
- Friends of the Elk River Library Fund
- Friends of Sherburne National Wildlife Refuge Fund
- Horizon Health Partnership in Life Fund
- Minnesota Pioneer Park Endowment Fund
- Quiet Oaks Hospice House Endowment Fund
- Roosevelt and Lawrence Area Lakes Association Fund
- Sacred Heart-Knights of Columbus Fund
- Wright County Historical Society Fund

### Field of Interest Funds
- Children, Youth & Families Fund
- Crow Wing Environment Protection Advised Fund
- Family Farm Fund
- Josh Richardson Youth Arts Fund
- Leech Lake Area Watershed Foundation
- Planning & Preservation Fund
- Thrive Fund

### Loan Funds
- Menahga Loan Fund
- Princeton Economic Development Loan Fund
- St. Cloud State University Microlending Program Fund
- Todd-Wadena Economic Development Loan Fund
- Wadena Tornado Relief Loan Fund

### Special Project Funds
- Musser Partnership Fund
- Staples Motley Early Childhood Project Fund
- Trees for Wadena Fund
- Veterans Art Project Fund
- Wadena Tornado Relief Fund

### Turn Key Funds

<table>
<thead>
<tr>
<th>County</th>
<th>Donations* to Initiative Foundation</th>
<th>Initiative Foundation Investments** in Local Communities</th>
<th>ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benton</td>
<td>$297,000</td>
<td>$3,231,000</td>
<td>928%</td>
</tr>
<tr>
<td>Cass</td>
<td>$502,000</td>
<td>$3,468,000</td>
<td>701%</td>
</tr>
<tr>
<td>Chisago</td>
<td>$333,000</td>
<td>$2,461,000</td>
<td>643%</td>
</tr>
<tr>
<td>Crow Wing</td>
<td>$1,076,000</td>
<td>$8,219,000</td>
<td>734%</td>
</tr>
<tr>
<td>Isanti</td>
<td>$1,062,000</td>
<td>$2,588,000</td>
<td>141%</td>
</tr>
<tr>
<td>Kanabec</td>
<td>$112,000</td>
<td>$922,000</td>
<td>827%</td>
</tr>
<tr>
<td>Mille Lacs</td>
<td>$520,000</td>
<td>$3,070,000</td>
<td>600%</td>
</tr>
<tr>
<td>Morrison</td>
<td>$1,083,000</td>
<td>$4,836,000</td>
<td>437%</td>
</tr>
<tr>
<td>Pine</td>
<td>$525,000</td>
<td>$2,414,000</td>
<td>360%</td>
</tr>
<tr>
<td>Sherburne</td>
<td>$658,000</td>
<td>$3,613,000</td>
<td>549%</td>
</tr>
<tr>
<td>Stearns</td>
<td>$993,000</td>
<td>$11,453,000</td>
<td>1,054%</td>
</tr>
<tr>
<td>Todd</td>
<td>$705,000</td>
<td>$2,972,000</td>
<td>362%</td>
</tr>
<tr>
<td>Wadena</td>
<td>$295,000</td>
<td>$3,003,000</td>
<td>801%</td>
</tr>
<tr>
<td>Wright</td>
<td>$483,000</td>
<td>$4,369,000</td>
<td>805%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$8,643,000</strong></td>
<td><strong>$56,618,000</strong></td>
<td><strong>555%</strong></td>
</tr>
</tbody>
</table>

*Rounded numbers include individual, business, government and utility donations, 1986-2009.

**Rounded numbers include nonprofit grants, business financing investments and scholarships, 1986-2009.
## Initiative Foundation
### Balance Sheet

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,103,418</td>
<td>$1,204,816</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>1,112,565</td>
<td>760,746</td>
</tr>
<tr>
<td>Investments</td>
<td>36,136,481</td>
<td>32,093,418</td>
</tr>
<tr>
<td>Investments in Unlisted Securities</td>
<td>990,000</td>
<td>890,000</td>
</tr>
<tr>
<td>Loans Receivable, Net of Allowances for Loan</td>
<td>6,189,861</td>
<td>6,610,869</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>47,672</td>
<td>51,932</td>
</tr>
<tr>
<td>Pledges Receivable, Net of Allowances for Doubtful Accounts of $4,000 and $5,000</td>
<td>275,277</td>
<td>381,627</td>
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<tr>
<td>Grants Receivable</td>
<td>661,098</td>
<td>288,347</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>48,998</td>
<td>47,282</td>
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<tr>
<td>Prepaid Expenses</td>
<td>60,375</td>
<td>52,156</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>2,012,426</td>
<td>1,984,055</td>
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<tr>
<td>Other Assets</td>
<td>6,600</td>
<td>6,600</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$48,644,771</td>
<td>$44,371,848</td>
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</table>

#### LIABILITIES AND NET ASSETS

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$81,243</td>
<td>$52,863</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>3,671</td>
<td>3,522</td>
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<tr>
<td>Accrued Expense</td>
<td>67,436</td>
<td>68,824</td>
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<tr>
<td>Annuities Payable</td>
<td>74,100</td>
<td>69,002</td>
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<tr>
<td>Deferred Revenue</td>
<td>1,534,909</td>
<td>586,459</td>
</tr>
<tr>
<td>Refundable Advance - Affiliated Funds</td>
<td>37,667</td>
<td>56,351</td>
</tr>
<tr>
<td>Loan Guarantee Liability</td>
<td>72,726</td>
<td>96,166</td>
</tr>
<tr>
<td>Unpaid Grant Obligations</td>
<td>488,902</td>
<td>295,040</td>
</tr>
<tr>
<td>Rural Economic and Community Development Loan Payable</td>
<td>1,551,030</td>
<td>1,487,565</td>
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<tr>
<td>Capital Lease Payable</td>
<td>25,136</td>
<td>-</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>2,175,000</td>
<td>2,150,000</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>6,111,820</td>
<td>4,865,792</td>
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</tbody>
</table>

### NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Designated for Endowment</td>
<td>14,990,620</td>
<td>11,883,964</td>
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<tr>
<td>Other Unrestricted</td>
<td>8,042,284</td>
<td>8,668,110</td>
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<tr>
<td><strong>Total Unrestricted</strong></td>
<td>23,032,904</td>
<td>20,552,074</td>
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<tr>
<td>Temporarily Restricted</td>
<td>2,479,820</td>
<td>2,201,349</td>
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<tr>
<td>Permanently Restricted</td>
<td>17,020,227</td>
<td>16,752,633</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td>42,532,951</td>
<td>39,506,056</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$48,644,771</td>
<td>$44,371,848</td>
</tr>
</tbody>
</table>