Dear Friends,

This year, and for the past 25 years, our Trustees and staff have been proud to call Central Minnesota home. Although many areas are still recovering from the recession, an early spring seemed to bring a fresh scent of hope to our regional economy.

We finally see businesses hiring, manufacturers humming, local governments investing, nonprofits thriving, and yes, even buildings rising. Hovering under the modest growth numbers, there’s a cautious confidence in the air.

At the Initiative Foundation, we believe that a quality job is the most essential element of a stable family and a thriving community. Simply put, if you don’t have a good job, your singular goal is to get one. You are also less likely to buy, build, give, vote or volunteer. That’s why our five-year plan is focused on quality job creation and economic growth, because they ignite our communities.

Powered by 1,900 generous donors, committed staff, and outstanding board and volunteer leadership, we have achieved remarkable success this year, as outlined in this annual report.

Together, we have financed business expansions, promoted the promise of international exporting, invested in the financial health of critical nonprofits, and helped business and community leaders unite to take local action on economic development. Our grants have supported workforce development, children and families, and uncommon partnerships that advance common-sense solutions. We have also helped families and organizations establish “Turn Key Funds” that leave a permanent legacy for communities while maximizing tax advantages for donors.

Following our annual report, this special IQ Magazine explores the important industry and issue of healthcare. It is a powerful engine for the regional economy and a primary concern for small businesses searching for ways to promote wellness and curb costs. Through local stories, we offer insight, ideas and information to improve the bottom line for everyone.

Enjoy the magazine!

All the Best,

Linda Eich DesJardins
Board of Trustees Chair

Kathy Gaalswyk
President

At the Initiative Foundation, we believe that a quality job is the most essential element of a stable family and a thriving community.
Mission
Unlock the power of central Minnesota people to build and sustain thriving communities.

Who We Are
Created in 1986 by local leaders and The McKnight Foundation, we are one of six Minnesota Initiative Foundations. Through leadership programs, grants and business investments powered by local generosity, we work to strengthen our hometowns and regional economy.

Five-year (2012-2017) 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

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

Invested $39.68 million through 868 loans and investments in locally owned businesses

Created or secured 11,219 living-wage jobs

Made 3,663 grants totaling $22.4 million

Awarded 661 scholarships totaling $529,072

Trained 1,936 leaders from 94 communities to plan and achieve a brighter future

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

Trained 1,410 leaders from 280 nonprofits to manage more effective organizations

Trained 994 leaders from 18 communities to prepare young children for lifetime success

Trained 248 leaders from 8 groups to improve the lives of children with incarcerated parents

RETURN ON INVESTMENT

<table>
<thead>
<tr>
<th>County</th>
<th>Resident Donations* to Initiative Foundation</th>
<th>Initiative Foundation Investments** in County</th>
<th>ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benton</td>
<td>$334,000</td>
<td>$3,327,000</td>
<td>896%</td>
</tr>
<tr>
<td>Cass</td>
<td>$570,000</td>
<td>$3,763,000</td>
<td>560%</td>
</tr>
<tr>
<td>Chisago</td>
<td>$354,000</td>
<td>$2,478,000</td>
<td>600%</td>
</tr>
<tr>
<td>Crow Wing</td>
<td>$1,340,000</td>
<td>$9,107,000</td>
<td>580%</td>
</tr>
<tr>
<td>Isanti</td>
<td>$1,112,000</td>
<td>$2,895,000</td>
<td>160%</td>
</tr>
<tr>
<td>Kanabec</td>
<td>$127,000</td>
<td>$962,000</td>
<td>658%</td>
</tr>
<tr>
<td>Mille Lacs</td>
<td>$578,000</td>
<td>$3,181,000</td>
<td>450%</td>
</tr>
<tr>
<td>Morrison</td>
<td>$1,297,000</td>
<td>$5,847,000</td>
<td>351%</td>
</tr>
<tr>
<td>Pine</td>
<td>$552,000</td>
<td>$2,784,000</td>
<td>404%</td>
</tr>
<tr>
<td>Sherburne</td>
<td>$730,000</td>
<td>$3,888,000</td>
<td>433%</td>
</tr>
<tr>
<td>Stearns</td>
<td>$1,428,000</td>
<td>$13,043,000</td>
<td>813%</td>
</tr>
<tr>
<td>Todd</td>
<td>$765,000</td>
<td>$3,089,000</td>
<td>304%</td>
</tr>
<tr>
<td>Wadena</td>
<td>$390,000</td>
<td>$3,669,000</td>
<td>840%</td>
</tr>
<tr>
<td>Wright</td>
<td>$524,000</td>
<td>$4,462,000</td>
<td>751%</td>
</tr>
</tbody>
</table>
| **TOTAL**  | **$10,101,000**                               | **$62,497,000**                              | **519%**

Every donated dollar is matched by The McKnight Foundation and returns an average of $5.19 in grants, loans and scholarships to Central Minnesota communities.
Financial Summary 2011

Total Endowment Value: $32.9 million
Total Assets: $47.8 million

Business Financing

Local Ownership, Quality Jobs
- Manufacturing 54% .......... $845,142
- Technology 41% ............ $640,000
- Environment/Agriculture 4% .......... $65,000
- Service 1% ............ $17,500
TOTAL ........... $1,567,642

Grants & Scholarships
Unlocking the Power of People
- Innovation Fund 23% ........ $312,475
- Organizational Effectiveness 21% ........ $286,346
- Community & Donor Funds 20% ........ $273,031
- Children, Youth & Families 11% ........ $145,000
- Hometown Improvement 10% ........ $130,930
- Economic Opportunity 8% ........ $105,000
- Natural Resources Preservation 5% ........ $67,100
- Scholarships 3% ........ $39,951
TOTAL ..... $1,359,833

Sources of Funds: $9,045,197
- Grants & Contributions $ 4,782,987 | 53%
- Business Financing Revenue & Repayments $ 2,424,478 | 27%
- Investment Income $ 1,729,152 | 19%
- Other Operating Revenue $ 108,580 | 1%

Uses of Funds: $6,840,182
- Business Investments $ 3,013,215 | 44%
- Grants, Scholarships & Training Programs $ 2,603,109 | 38%
- Foundation Operations $ 825,572 | 12%
- Fund Development $ 319,270 | 5%
- Special Projects & Other $ 79,016 | 1%

Training Programs
- Healthy Organizations Partnership $454,673
- Volunteers in Service to America $353,841
- Healthy Communities Partnership $178,987
- Early Childhood & Youth Engagement $132,736
- Healthy Lakes and Rivers Partnership $105,290
- Early Childhood Mental Health $17,749
TOTAL $1,243,276
*Excluding Grants

A complete audit report prepared by CliftonLarsonAllen, LLP is available upon request.
2011 was a special year for the Initiative Foundation, the confluence of its 25th Anniversary and the final year of a successful campaign that raised more than $13.8 million to build thriving communities and a strong economy in central Minnesota. To celebrate both milestones, we commissioned a Commemorative Wall that depicts a classic downtown and 25 symbols of regional impact. A river of donor names will unite the Foundation with the generosity of its donors.

With great appreciation, we recognize the following donors for their investments of $1,000 or more, between 2007 and 2011.

**Keymaster** $25,000 and greater
- Anderson Brothers Construction Company
- Benton County
- Betty Ford Menzel Scholarship Fund
- Blaindon Foundation
- Bob Wright Memorial IFPA Scholarship Fund
- Bremer Bank
- Bush Foundation
- Cass County
- Center for Rural Policy & Development
- Gloria MacMillan Cessna
- City of Little Falls
- Communications Alternatives, Inc.
- Community Foundation of Greater Dubuque
- Connexus Energy
- Corporation for National & Community Service
- Crow Wing County
- Department of Health & Human Services
- East Central Energy
- Eich Motor Company
- Emma B. Howe Memorial Foundation
- Granite Equity Partners
- Isanti County
- The Joy & Rose Phillips Foundation
- Jane & Patrick Mitchell Foundation
- Arnold & JoAnn Johnson
- Little Falls Scholarship Fund
- Loren & Kathy Morey Family Fund
- Manufacturing Fund of Central Minnesota
- Mark Wood Foundation
- The McKnight Foundation
- Medica Foundation
- The Minneapolis Foundation
- Minnesota Community Foundation
- Minnesota Power
- Minnesota Public Radio
- Morgan Family Foundation
- Morrison County
- Otto Bremer Foundation
- Gladys & Leonard Paulson
- Pine County
- John & Bonnie Schlagel
- Schlegel, Inc.
- Shawn Gritter Memorial Scholarship Fund
- Sherburne County

State of Minnesota, Department of Commerce
- Stearns County
- Stearns Electric Association
- Jack & Betty Thomas
- U.S. Bancorp Foundation
- USDA Rural Development
- U.S. Department of the Treasury
- Fran & Milt Voelker
- West Central Telephone Association
- William & Ethel Nelson-Zimmerman Memorial Scholarship Fund
- Wright County
- Xcel Energy Foundation

**Portal** $10,000 to $24,999
- AgStar Financial Services
- Arvig
- Benton Telecommunications Foundation
- Blue Cross Blue Shield of Minnesota Foundation
- Bob & Martha Bunker Endowment Fund
- Chisago County
- City of Milaca
- City of Mora
- City of St. Cloud
- City of St. Michael
- City of Sartell
- City of Sauk Rapids
- City of Wadena
- Consolidated Telecommunications Company
- First National Bank of Milaca
- Founders’ Network for Smart Growth and Livable Communities
- Kathy & Neal Gaalzwyk
- Honowski Family Fund
- Julius & Tracy Kuppus Fund
- Kuepers, Inc. Architects & Builders
- The Laura Jane Musser Fund
- Mel & Jeanette Beaudry Fund
- Mid-Minnesota Federal Credit Union
- Northwest Area Foundation
- Robins, Kaplan, Miller & Ciresi Foundation
- SPEDCO Economic Development Foundation
- Stearns-Benton Employment & Training Council
- Eugene & Bernadine Waldorf

**Gateway** $5,000 to $9,999
- American Heritage National Bank
- Bank of the West
- BlackRidgeBANK
- Cambridge Medical Center
- CentraCare Health Foundation
- Central MN Jobs & Training Services
- Chuck & Barb Christian
- Citizens State Bank of Waverly
- City of Baxter
- City of Big Lake
- City of Cambridge
- City of Lindstrom
- City of Long Prairie
- City of Maple Lake
- City of Melrose
- City of Pierz
- City of Pine City
- City of Staples
- CliftonLarsonAllen, St. Cloud
- Clow Stamping Company
- Deerwood Bank
- Donald & Deanna Engen
- Essentia Health – St. Joseph’s Medical Center
- GNP Company (Gold’n Plump)
- Gray Plant Mooty
- Lee & Jan Hanson
- Kanabec County
- Lakeland Mold Company, Inc.
- Larson Boats, LLC
- Little Falls Area Chamber of Commerce
- Marco, Inc.
- Mardag Foundation
- Mille Lacs County
- Minnesota National Bank & Agency
- NOR-SON, Inc.
- Peoples Bank of Commerce
- Pequot Tool & Mfg, Inc.
- Pine Country Bank
- Schienner Weidner & Co.
- Stephen & Gwyn Shelley
- Everett & Rita Sobania
- The Sheltering Arms Foundation
- Sundance Pay It Forward Foundation
- Todd County

Todd-Wadena Electric Cooperative
- Viking Label & Packaging, Inc.
- Wadena County
- Wiseth Smith Nolting and Assoc., Inc.
- Shara & Warren Williams
- Woodland Bank

**Corridor** $3,000 to $4,999
- City of Amnandale
- City of Clarissa
- City of Fergus Falls
- City of Grooteteile
- City of Lake Shore
- City of Monticello
- City of Nisswa
- City of Paynesville
- City of Princeton
- City of Sandstone
- City of St. Joseph
- DeZURIK, Inc.
- Donlar Construction
- Curt & Mary Beth Hanson
- HSH Consultants
- Don Hickman & Sandra Kaplan
- Matt & Jeanne Kilian
- Jo & Larry Korf
- LINDAR Corporation
- Bill & Diane Scarsino
- Shelley Funeral Chapels, Inc.
- Thelen Heating & Roofing, Inc.
- Venture Allies

**Passage** $1,000 to $2,999
- Advance Design & Systems
- Anakkala, Berns & Company
- Duan & Barb Anderson
- Keith H. Anderson
- Atomic Learning, Inc.
- Mayuli & James Bailes
- BankVista
- Joe & Mary Bauer
- Steven & Ann Benda
- Brainerd Lakes Area Economic Development Corporation
See your name on the

25th Anniversary Commemorative Wall

Visit us from 8 a.m. to 4:30 p.m. Monday through Friday in Little Falls.
The Initiative Foundation hosts 60 Turn Key Funds, local endowments and other vehicles through which donors create legacies of charitable support for current and future generations.

**DONOR-ADVISED FUNDS**
- Anderson Brothers Family Fund
- Bob & Marsha Bunker Endowment Fund
- Bruce & Diane Gohman Fund
- Gaalswyk Family Fund
- Granite Equity Partners Fund
- Hanowski Family Fund
- Jane & Patrick Mitchell Foundation
- John & Bonnie Schlagel Endowment
- Julius & Tracy Kurpius Fund
- Loren & Kathy Morey Family Fund
- Mark Wood Foundation
- Mel & Jeanette Beaudry Fund

**SCHOLARSHIP FUNDS**
- Alternative Sources of Energy Fund
- Archie & Isabelle Powell Family Memorial Scholarship Fund
- Betty Ford Menzel Scholarship Fund
- Beverly M. Pantzke Scholarship Fund
- Bob & Pauline Johnson Memorial Scholarship Fund
- Bob Wright Memorial IFPA Scholarship Fund
- Little Falls Scholarship Fund
- Shawn Grittner Memorial Scholarship Fund
- Staples Knights of Columbus-Lloyd & Marion Giddings Scholarship Fund
- Staples-Motley Dollars for Scholars Fund
- William & Ethel Nelson-Zimmerman Memorial Scholarship Fund
- ZES Scholarship Fund
COMMUNITY FUNDS
Greater Pine Area Endowment
Isle Area Community Foundation
Longville Area Community Foundation Endowment
Morrison County Area Foundation
Rum River Community Foundation
Staples Community Foundation
Three Rivers Community Foundation

AGENCY FUNDS
Big Fish Lake Association Fund
Conservancy Fund of Roosevelt & Lawrence
Area Lakes Association
Friends of Sherburne National Wildlife Refuge Fund
Gull Chain Preservation Endowment Fund
Horizon Health Partnership in Life Fund
Lake Region Conservation Club Fund
Leech Lake Area Watershed Foundation
Minnesota Pioneer Park Endowment Fund
Paws & Claws Animal Shelter
Sacred Heart-Knights of Columbus Fund
Wright County Historical Society Fund

EDUCATION FUNDS
Cuyuna Lakes Education Foundation
Sauk Rapids-Rice Education Foundation

FIELD OF INTEREST FUNDS
Children, Youth & Families Fund
Crow Wing Environment Protection Advised Fund
Family Farm Fund
Josh Richardson Youth Arts Fund
Planning & Preservation Fund
Thrive Fund

SPECIAL PROJECTS
Musser Partnership Fund
Trees for Wadena Fund
Veteran’s Art Project Fund
Wadena Regional Wellness Center Fund
Wadena Tornado Relief Fund

BUSINESS LOAN FUNDS
Menahga Loan Fund
Princeton Economic Development Loan Fund
St. Cloud State University Microlending Fund
Todd-Wadena Economic Development Loan Fund
Wadena Tornado Relief Loan Fund

For more information about our Turn Key Fund program, call us at (877) 632-9255 or visit www.ifound.org/donorcenter.
Our heartfelt gratitude to trustees whose terms ended in 2011:

Mayuli Bales
Casa Guadalupe & Catholic Charities

Charles Black Lance
Central Lakes College

Reggie Clow
Clow Stamping

Pat Gorham
Gorham Companies

Lee Hanson
Gray Plant Mooty

Earl Potter
St. Cloud State University

JR Spalj
Spalj Construction Company

Gene Waldorf
Retired, 3M
Former Minnesota Legislator

Kathy Gaalswyk
PRESIDENT

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Development Officer

Dan Bullert
Business Finance Officer

Lynn Bushinger
Chief Financial Officer & Treasurer

Sara Dahliquist
Children Youth & Families Specialist

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Program Manager for VISTA & Organizational Development

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Executive Assistant

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External Relations Assistant

Eric Rittmann
Creative Services Coordinator

Julie Schueller
Finance Assistant

Sandy Voigt
Development Officer