

NORTHWEST AREA FOUNDATION

Annual Report 2009

Celebrating 75 years



Forest restoration in north-central Idaho is creating jobs and community prosperity.

Seeking the Common Good in Uncommon Times

We all lived through it – two years of economic turmoil and high anxiety. We watched large financial institutions fail or merge; iconic auto companies moved in and out of bankruptcy. Home foreclosures destabilized neighborhoods all over the country, and millions of American workers were idled.¹

In summer 2009, financial markets rebounded while oil prices began another climb, and the dollar dipped once more. By the time you read this, the picture may have shifted yet again.

In response to this rollercoaster ride, the public and private sectors adjusted to protect diminished assets and await an upturn. Millions of working people with low incomes don't have this luxury. Many say their lives are changed.

In fact, over one-quarter of respondents to the Northwest Area Foundation's recent national poll said they or a family member lost their job in the last 12 months, while 38 percent reported reduced work hours. Half of the 4,000 respondents to the poll, "Struggling to Make Ends Meet," report cutting their grocery budget, and nearly one-third had trouble affording medical care.² (See Page 10 and visit www.nwaf.org for details.)

Are we braving this maelstrom in hopes of returning to what was? Or are we experiencing a more elemental change? If so, just what are we transforming into?

At the Northwest Area Foundation, we think our nation's prosperity will depend on whether we can come together to redefine the *common good* in this period of profound change.

This fundamentally American impulse – the *community* impulse – is critical if we hope to leave our children a nation of which we can be proud. The poll confirmed this national spirit: Eight out of 10 said they were "very" or "somewhat willing" to volunteer to help reduce the number of people within their community who struggle to make ends meet. And more than half felt they would personally benefit if this goal was achieved.

We hope for transformation because, plainly put, America can no longer afford poverty. Over 37 million of our people live below the official poverty threshold – \$21,834 a year for a family of four.³ Of these, 7.5 million work one or more jobs,⁴ full time or part time. Another 53 million live at up to 200 percent of the threshold⁵ and still struggle to make ends meet.

Our country needs to tap into the energies, ideas and perspectives of *every one of us*, otherwise we cannot compete in the global marketplace with nations whose wage standards are lower and whose ranks of skilled and unskilled workers are steadily growing.

This means developing our most precious asset, our people, with particular attention to those in poor urban, rural and American Indian reservation communities. It means building on-ramps to the workforce of tomorrow for every child and every worker. In order to get out and stay out of poverty, people with low incomes need to be able to build assets and wealth. They need access to affordable high-quality education, health care, housing and practical training for living-wage jobs.

It will take all of us to pursue this agenda successfully and build sustainable prosperity. That is the mission of our Foundation and, we believe, the defining challenge of our times.

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¹ U.S. Bureau of Labor Statistics, June 2, 2009, www.bls.gov/news.release/empsit.nr0.htm.

² 2009 "Struggling to Make Ends Meet" national poll. Visit www.nwaf.org for the national report and for findings for each of the eight states in the Foundation's service region.

³ U.S. Census Bureau, August 2009, <http://www.census.gov/hhes/www/poverty/poverty.html>.

⁴ Bureau of Labor Statistics, 2007, <http://www.bls.gov/opub/mlr/2009/09/rgtrends.pdf>.

⁵ U.S. Census Bureau, 2005–2007, http://factfinder.census.gov/servlet/STTable?_bm=y&-geo_id=01000US&-qr_name=ACS_2007_3YR_G00_S1701&-ds_name=ACS_2007_3YR_G00_&-lang=en&-caller=geoselect&-redoLog=false&-format=

2 President's Letter

For institutions seeking to advance the public good, these turbulent times represent both a burden and a once-in-a-lifetime opportunity to foster lasting changes in our society. As an endowed foundation, we feel compelled to keep our eyes on the long term – to ask what kind of nation we want to live in, and to do everything we can to move our region toward a positive future for all its residents.

Vibrant rural communities, thriving American Indian reservations, cities where opportunity is open to all: that is the long-term reality we seek. While the road forward is unclear, this much is certain: there is nothing like a crisis to shake up old assumptions and spark new approaches. We aim to support innovation, invest in what works and serve as a flexible resource for the people of our region as they seize emerging opportunities.

Like everyone these days, we now have fewer resources with which to work. Our asset base contracted as the economy weakened; our staff has gotten smaller as well. Throughout this transition, we have worked with existing and new grantees and partners to begin aligning our grantmaking with a new strategic framework. That work will continue in the year ahead.

This Foundation was established 75 years ago, in December 1934, with the world mired in the Great Depression. But despite the Depression's ravages, our founder did not see the organization as a short-term response to the trauma of those years. He saw it, instead, as a means of advancing the public good in perpetuity. As we mark our 75th anniversary, it's worth recalling that founding impulse.

In 2009, as in 1934, the economy is dismal and American families are suffering. For a foundation like ours – dedicated to helping people get out and stay out of poverty – it is tempting to divert our limited grant resources toward immediate relief. Instead, we have chosen to maintain a long-term focus on helping people build lasting prosperity for themselves and their communities. In October 2008, we established a new Strategic Plan that focuses on three long-term outcomes for our eight-state region: **increased assets and wealth** for people with low incomes, **increased capacity and leadership** to reduce poverty, and **improved public policy solutions** to reduce poverty for the long term.

Why focus on **assets**? Because people and communities cannot escape poverty if they don't have them. Building assets in the urban, rural and reservation communities that Northwest Area Foundation serves means teaching financial literacy. It means promoting savings through proven mechanisms like Individual Development Accounts. It means making sure people have access to credit from legitimate sources rather than predatory lenders. And since the best path to asset accumulation is a good job at a family-supporting wage, it means supporting education and training so that people with low incomes can compete successfully for the jobs of the future. It means, ultimately, helping people turn the tide on generations of asset poverty.

We focus on **leadership** because communities cannot escape poverty without unlocking the power of people to determine their own destinies. For our Foundation, this means investing in proven and promising mechanisms for empowering ordinary people to do extraordinary things in the public sphere.



Public policy decisions touch on issues as diverse as asset accumulation, education, housing, immigration, workforce development, tax and budget policy, and retirement security. The American people's resources are flowing in patterns shaped not by some invisible hand, but by decisions made by human beings. Our Foundation cannot achieve its mission if the organizations we work with – or low-income people themselves – are absent from the policy debates of our time.

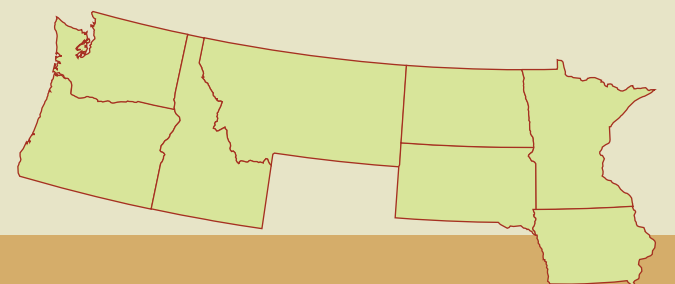
We will spend the coming years working in concert with leading-edge organizations throughout our eight states to explore potentially transformative programs, policies, and possibilities. We will experiment, invest in success, and advocate for changes that move the region toward broadly shared prosperity that stands the test of time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Walker', written in a cursive style.

Kevin Walker
President & CEO

Celebrating 75 years (1934–2009)



The Great Northern Railway, founded by James J. Hill in 1889, moved freight, people and new ideas throughout the Pacific Northwest, Rocky Mountain West and Upper Midwest. Hill's son Louis W. Hill became rail line president in 1907, but also ran mining and banking businesses. He loved the land and communities through which the railroad traveled, and explored the region's rich wildlife on horseback, by wagon and automobile. One of his favorite places was the area that became Glacier National Park in Montana – largely through his efforts.

Strong supporters of St. Paul and Minnesota's civic and business life, Louis Hill and his wife Maud deepened their commitment during the Great Depression, working with others to meet short-term needs for food and to consider approaches for more lasting change. The Foundation, established in 1934, became the mechanism for systemic impact.

This timeline provides a glimpse into 75 years of Foundation support for reducing poverty and building sustainable prosperity, arts and education, medicine, agriculture, environmental studies, public policy and human services. For a more detailed, interactive version, visit www.nwaf.org.

PROGRAMS

The mission of the Northwest Area Foundation is to support efforts by the people, organizations and communities of our eight-state region to reduce poverty and achieve sustainable prosperity.

The communities and people of our **eight-state region**¹ are as diverse as its geography. Immigrant and first-generation school children in Seattle, Portland and Minneapolis-St. Paul speak over 80 languages at home. Remote mountain communities, rich in natural amenities, nestle throughout the Pacific Northwest. Small farm townships are experiencing an aging population and the arrival of new Americans. Seventy-four federally recognized American Indian tribes live within the region, providing wide-ranging perspectives on the meaning of community and prosperity.

Today, 2.3 million people within the region live at or below the federal poverty line, and nearly 4 million more live at 200 percent of that threshold. Of the region's 488 counties, one out of every five has a poverty rate above 15 percent, and some have double or triple this rate.² From 2000 to 2007, the number of foreign-born residents grew an average of nearly 30 percent in six of the region's eight states.³

The people of our region are keenly aware of the struggle to make ends meet within their communities. Like other Americans recently polled,⁴ they have seen increased job losses, reduced work hours, and smaller budgets for food, medical care and other basic necessities. Many report taking action to stem the tide, including lending money to friends or loved ones and sharing shelter, yet half of those questioned don't know where to turn for help. A large majority of those polled believe elected officials should be doing more to help those who are struggling.

We apply the Foundation's resources to unlock the potential of the region. Our grants support the work of proven or promising organizations with similar missions: to help the people of our region get out of poverty and build prosperity. Proven organizations are those with track records of achievement and overall organizational capacity for poverty reduction. Promising organizations are those with capacity in key areas and strong potential for moving people out of poverty.



The Revet family purchased a new home, thanks to an affordable housing program in Portland.

Grantmaking

In October 2008, the Foundation's board of directors approved a new Strategic Plan, which we are implementing gradually due to budget constraints. We are targeting our resources as follows in our first two-year grantmaking cycle, 2009–2010:

Increased Asset and Wealth Among People With Low Incomes

We support such proven and promising initiatives as Individual Development Accounts (IDAs), the Earned Income tax Credit (EITC), Community Development Financial Institutions (CDFIs), and financial education, in all cases drawing on the knowledge and networks that already exist in the region. We look to strengthen the capacity of asset- and wealth-building organizations led by communities of color. We also seek opportunities for low-income populations to develop assets and wealth within emerging industries, including renewable energy.

Increased Capacity and Leadership to Reduce Poverty

These are initiatives that strengthen and develop grassroots and organizational leadership. In 2009 and 2010, this priority will be pursued largely through existing grant agreements across the region in rural, urban and American Indian reservation communities. We also will explore opportunities to strengthen the work of high-performing community organizing networks in the region.

Improved Public Policy Solutions to Reduce Poverty

Policy decisions influence life-shaping factors and the flow of resources – federal, state and municipal – going to the communities in our region. In our first grant cycle, we seek to strengthen the capacity of State Fiscal Analysis Initiative (SFAI) affiliates to monitor and advocate on behalf of policy initiatives at the state level. We will support development of an affiliate in each state of our region, with an emphasis on North Dakota, South Dakota, Montana and Idaho. The Foundation will also leverage policy initiatives supported by Strategies to Eliminate Poverty, a fund with regionwide reach.⁵

Linking Resources for Impact

In addition to making grants, we also use a leveraging strategy to extend the reach and impact of our resources and experience. For example, we look for opportunities to combine our resources with those of other funders; foster or join coalitions; support and advance initiatives; and sponsor forums, research and advocacy.

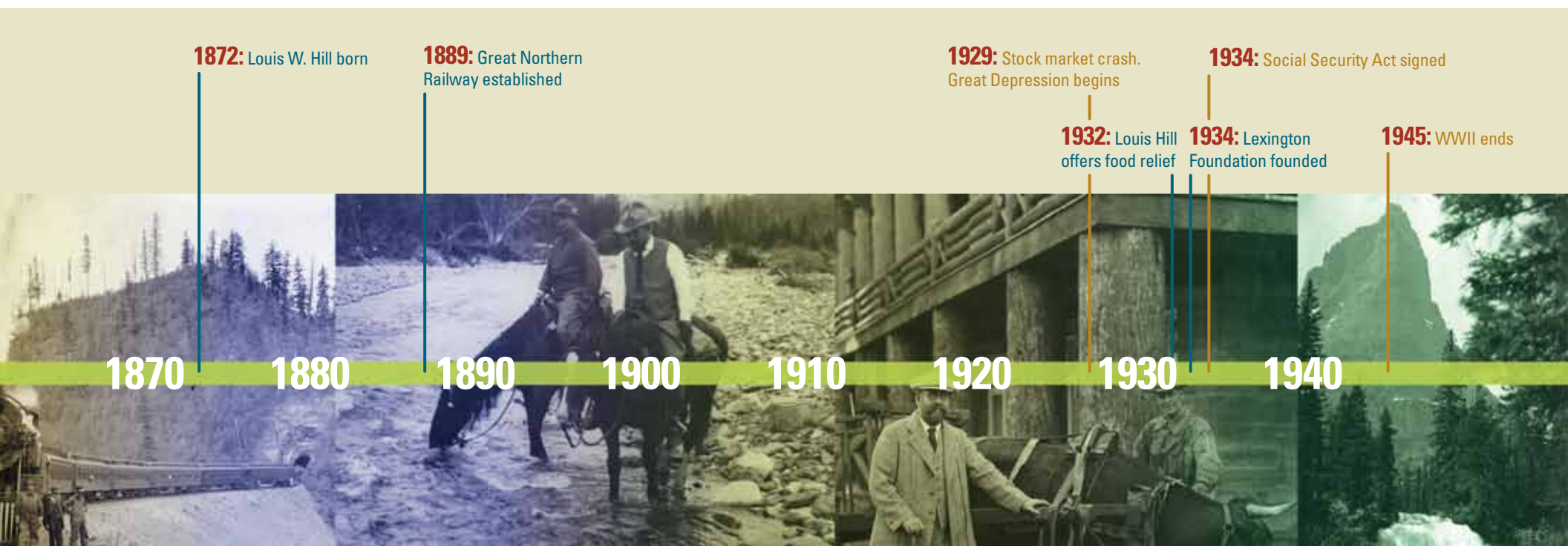
¹ Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon.

² 2007 US Census Bureau, Small Area Income and Poverty Estimates, www.census.gov//did/www/saipe.

³ Migration Policy Institute, 2007, www.migrationinformation.org/datahub/acscensus.cfm#.

⁴ 2009 "Struggling to Make Ends Meet" national poll, www.nwaf.org.

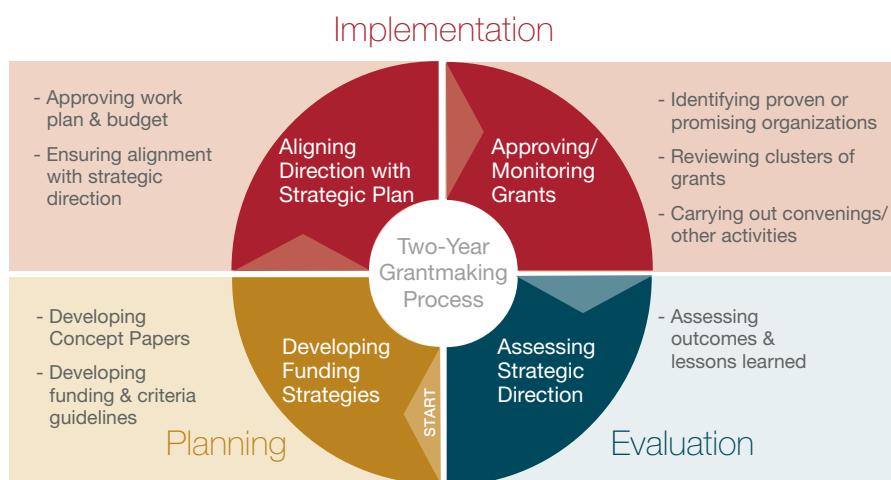
⁵ Strategies to Eliminate Poverty (STEP) is a Northwest Area Foundation fund managed by the Seattle Foundation in Washington.





BuRSST for Prosperity develops strategies to help families in five Seattle first-ring suburbs increase financial independence.

2009–2010 Grant Cycle



In January through May 2009 – the start of the cycle – the Foundation tapped thought leaders from throughout the region and the country to inform our funding strategies. Their concept papers described strategies to: build assets, increase access to economic opportunities, strengthen leadership and capacity in rural areas, promote prosperity among immigrants and people of color, support and strengthen American Indian communities, and advance public policy solutions to poverty.

We adopted a grantmaking framework in July and began soliciting proposals in early August. We expect to announce new grants in late October 2009 and February 2010.

In the near term, the Foundation will issue targeted invitations for proposals to organizations with similar missions and doing proven or promising work in the focused areas described above. We anticipate that most of our funding decisions will be shaped through this process. Therefore, we cannot accept unsolicited proposals at this time.

Evaluation

The Foundation will measure grantee performance against the outcomes and goals described in each grant proposal. In assessing the cumulative effectiveness of our funding strategies, we will track performance against these principles:

- Grantmaking must further one or more of our key outcomes:
 - Increased assets and wealth for people with low incomes.
 - Increased capacity and leadership to reduce poverty.
 - Improved public policy solutions to reduce poverty for the long term.
- All grantmaking will build upon existing momentum and strengthen opportunities for future grantmaking.
- Efforts will be leveraged for greatest impact.
- Grantmaking must have flexibility to allow for learning and adjustment.

Your ideas, comments and questions about reducing poverty and building sustainable prosperity are important to us. You can contact the Foundation at grants@nwaf.org, or call us at **888-904-9828**. Please visit www.nwaf.org to learn more about our work, and about our 2009 grant awards.

“We can best put the Foundation’s resources to work by investing in proven and promising organizations working to help families build financial literacy and income security, secure housing and train people with low incomes for good-paying jobs. We also want to invest in public policy solutions that will help create lasting prosperity all across the region.”

– Gary Cunningham,
Vice President of Programs, Chief Program Officer,
Northwest Area Foundation

1950: Renamed Louis and Maud Hill Family Foundation

1950–53: Over \$2M for agricultural research

1953: Support for visiting scholars, area studies

1958: First grant to U of MN computer lab

1964: President Johnson declares “War on Poverty”

1969: Sesame Street created

1969: Over \$1M for educational TV to date

1969: U.S. lands man on the moon

1974: Renamed Northwest Area Foundation

1981: IBM introduces first personal computer

1950 **1960** **1970** **1980**

GRANTS TO PROVEN OR PROMISING ORGANIZATIONS

Building Assets and Wealth

Growing Jobs

Who will benefit from the recent economic stimulus legislation? Who will find pathways into sustainable careers within emerging and reshaped industries?

Emerge Community Development in North Minneapolis offers a model for providing low-income workers with access to living-wage jobs in a targeted sector. It is repositioning much of its workforce training and social enterprise development to prepare youth and low-income adults for opportunities in the clean energy industry. “During this time of the worst economic downturn in decades, North Minneapolis has some of our communities’ biggest challenges of high unemployment, record foreclosures and families in poverty. But now is the time to reassess the assets that we do have to prepare for a new economic conversion,” said Mike Wynne, executive director, Emmerge Community Development. “We see this as a great opportunity to capitalize on these emerging industries with new career opportunities for workers of many different skill levels.”

Nationally, developing green collar jobs is a key component of the federal economic stimulus plan. Minnesota alone is slated to receive up to \$132 million for weatherizing homes for elderly and adults with low incomes. The first infusion of funds is expected to create 1,000 new jobs.¹

The Foundation supports Emmerge and other efforts that promote the creation and retention of living-wage jobs, and programs that enable low-income populations to build assets and wealth sufficient to provide a buffer during times of emergency – such as illness, accident or job loss – as well as a springboard for taking advantage of opportunities in education and the workplace.

The Foundation’s one-year grant to Emmerge supports the development of customized training for up to 100 people in skills for the following jobs:

- Weatherization and insulation installers.
- Energy efficiency property maintenance.
- Food production entrepreneurs – urban garden projects that teach fundamentals of growing produce and bringing it to market.

A pilot effort will train several dozen participants for positions that will pay \$12 per hour within 90 days of graduation.

Homegrown Leadership

As Pe Ell, Washington, celebrated its centennial, the rural town of 600 also was looking to green jobs to help revitalize the community. Job cuts and hourly reductions plagued the once-thriving timber industry, contributing to the area’s 14 percent poverty rate and challenging its future.

“Pe Ell had a problem. All indications showed the forestry products industry was in decline and wasn’t going to recover. We knew we needed to diversify,” said Bill Schulte, a recently elected member of the Lewis County Commission, and a community leader within the local Horizons program.

Horizons is a leadership development program developed by Northwest Area Foundation for small, rural communities of 5,000 and fewer, poverty rates of at least 10 percent, and with histories of demographic change. Initiated and supported by the Foundation, 18 months of Horizons coaching, training and networking is delivered directly into the community by a state university extension service or tribal college.

Using the skills learned in Horizons, people in Pe Ell studied the town’s needs, created a vision for the future, and moved to action. One possible solution: cultivate a strong local economy by linking to the emerging clean energy industry. They presented a united front, partnering with other sectors of the community to attract a new wind energy project to their area.

“Horizons was like a litmus test. It revealed widespread community support. The positive synergy displayed among the Horizons Steering Committee, the city, county, fire and school districts was very impressive to the prospective employer,” said Schulte.

The effort paid off when a leading wind energy producer, EverPower out of Oregon, chose Pe Ell as one of three possible locations in Lewis County, Washington, for new wind energy farms. Landing the 50-turbine project will bring 23 living-wage jobs with benefits, and the potential of establishing a flourishing new industry.

Building Access to Homeownership

William and Vanessa Revet were tired of moving.

The couple longed for a home of their own, a place where they could put down roots for their young son, Logan. But saving enough money for a down payment seemed a nearly impossible goal.

¹ Source: Minnesota Department of Commerce.

1934–1985: Over \$118M to education, arts, sciences and social services

1986: Supports new Minnesota Center for Victims of Torture

1989: Berlin Wall comes down

1990s: Grants to establish university policy centers

1994: Apartheid ends in South Africa

2000: Worldwide online population 360M

1998–2008: Over \$200M to help reduce poverty in region

2007: U.S. Recession starts

2008: Barack Obama is first African-American elected U.S. President

2008: Foundation recommits to reducing poverty and building sustainable prosperity

1990

2000

2010





Partners for Prosperity works for a more prosperous future for all community members in eastern Idaho.

Then, William, a computer network specialist with **Native American Youth & Family Center (NAYA)** learned about the organization's Homeownership Program. He found out about ways to save for the down payment through the homebuyer education course and with the help of one-on-one coaching. The young family purchased a two-bedroom home that gives their son a place to run and play, and a neighborhood in which to establish community bonds.

With nearly 35 years of service to over 1,200 youth and families, NAYA knows the discrimination, misinformation and inequities faced by the more than 55,000 Native Americans living in the Portland metro area. Its leadership and community also share the aspirations, achievements and potential of the more than 380 tribes represented in this urban area. The Foundation's support has leveraged NAYA's deeply rooted community connections, knowledge and strong leadership in initiatives focused on building assets and wealth through education, direct services and advocacy.

"We now have a long-term investment," said Revet, who is a Yupik Eskimo. We can stay here 15 years or for the rest of our lives, if we want. This has provided the stability we needed for our family."

To date, NAYA's Homeownership Program has fostered more than 40 new home purchases or refinances. NAYA's goal is to help prepare over 2,000 homeownership-ready families by 2019.

Building Capacity and Leadership

Next Door Inc.

Oregon's Hood River Valley is home to towering mountains, cascading rivers and a patchwork of fruit orchards that have attracted Latino farm and service-industry workers over several decades. These seasonal workers have settled in the area and now number about 5,400 – roughly one-quarter of Hood River County. Locally based **Next Door Inc.** seeks to build leadership and financial skills among rural Latinos in order to reduce poverty and move toward prosperity.

Next Door Inc. uses an inclusive approach, which promotes engagement and participation. "We believe everybody is a teacher and everyone has assets. We learn from one another," said Janet Hamada, executive director of Next Door Inc. "It's crucial to have diverse perspectives and voices," said Hamada. "With the Northwest Area Foundation's help we've been able to focus on building leaders who can represent us in our city council, county commission and other positions of governance and power."

The impact of this approach is felt within "The Collectivo," a group of 26 Latinos who recently completed leadership training. Newly empowered, the group recently organized a community resource fair in which 450 Latinos and nearly two dozen service agencies engaged local businesses about commercial services available and needed.

"The Latino community had been largely invisible and overlooked in the community. The leaders persuaded businesses that Latinos are a group to be recognized. They said, 'we do business with you – you need to be at this fair,'" said Hamada.

"Leadership training made all the difference in the success of this event. Everyone – not just the usual one or two leaders – had a role to play, whether it was recruiting businesses or soliciting donations. They really showed their power, strength and

organization skills," said Claudia Montano, Next Door's program director.

Next Door Inc. has also facilitated educational opportunities for immigrant rights and financial literacy. A first cluster recently completed entrepreneurial training through a local community college in which they learned how to write business plans and apply for credit-builder loans. Their skills can help improve quality of life for the entire community.

Building On-ramps to a Better Future

"A diamond in the rough" is the way people describe their hometown of Plummer, Idaho, on the Coeur d'Alene Reservation. When planners began to talk about improving U.S. Highway 95 through the nearby town of Worley, the people of Plummer recognized that the proposed improvements could be an opportunity to polish the area's image and strengthen the local economy.

"When you drive through town, there's nothing to attract and keep you. Plummer and Worley have new businesses with career-ladder jobs, but they're still plagued by the look of poverty. In the past generation, the downtowns have virtually disappeared," said Laura Laumatia, a Plummer resident and chairperson of One Sky North Idaho, a nonprofit organization that promotes community development on the Coeur d'Alene Reservation. "We saw this as an opportunity to spruce up the towns with roadside landscaping, sidewalks and even a pocket park," said Laumatia, who also is a coach with the Horizons program – a Foundation-supported leadership development program especially for small, rural communities challenged by poverty and significant population shifts.

Funded by the Northwest Area Foundation, Horizons is an 18-month program initiated by the Foundation that delivers training and coaching directly into communities so that they can recruit and strengthen leaders with an eye toward long-term poverty reduction and prosperity building.

At first, many Coeur d'Alene Reservation residents thought the highway project and the city highway transportation department were too big to take on. Their perspective changed with the information, skills and confidence they gained through the Horizons program. They felt they could influence this project, and excitement grew when they saw their ideas making an impact.

The U.S. Highway 95 project awaits funding; however, Plummer is not standing still. Community members are moving forward to rebuild their town's unique charm. By restoring an aesthetic expression of the community's cultural heritage, residents hope to motivate more people to put down roots in Plummer and work to make it thrive.

Plummer, and the Horizons program, are examples of an approach communities can use to build capacity and leadership among individuals and organizations by creating new vision, setting goals and taking action for sustainable change.

Over the past several years, the Foundation supported the work of several university extension services and a tribal college to design and deliver this program. Plummer is one of nearly 300 communities that have participated in Horizons to date – each with a population of 5,000 or fewer, with a poverty rate of at least 10 percent, and with a history of significant population change.

Building Unity Through Language Connections

English classes had been offered many times in the small town of Mossyrock, Washington, but they never caught on with the growing Latino population. As more Spanish-speaking immigrants moved into the community for farm jobs, the language barrier was dividing this town of 2,300, located in the southwestern part of the state.

Members of the Mossyrock Horizons rural leadership development group came up with an idea: Why not promote cultural understanding by offering all residents, old and new, a chance to learn each other's language? It would serve a dual purpose: Engage the ideas and perspectives of the town's newest residents while developing a workforce that could improve the local economy. The result is the Mossyrock Language Exchange Program, which is free and open to anyone who wants to learn English or Spanish as a second language.

"What's different now is that the community is behind it. It's not just the English speakers saying, 'you have to learn our language.' English speakers are making an attempt to learn the Spanish language and culture," said Jackie Morris, a resident who was active in Horizons. "It changes attitudes and breaks down stereotypes when you try to learn another person's language."

The Language Exchange Program is held at a local business two days a week. While the leaders are constantly recruiting new learners, Morris and the others have seen the program improve the downtown business climate. They are excited to develop a more skilled workforce with the potential to move the community toward prosperity.

"Learning English offers our new residents a huge advantage in terms of job skills and the potential to move into higher-paying jobs in town," added Morris. "It's making the Latinos feel like they're welcome here and they have something to contribute to our town's prosperity."

Improving Public Policy Solutions

One STEP at a Time

"Policies – state, federal and local – are indispensable because they can do one of two things: They can provide access to important public services, or they can create obstacles that make it nearly impossible for people to get out and stay out of poverty," said David Harrison, a former chair of the Washington Workforce Training and Education Coordinating Board, and currently a senior lecturer at the Evans School of Public Affairs, University of Washington.

At last count, more than 37 million people in America, 12.5 percent of the population, live at or below the Federal Poverty Threshold: \$21,834 a year to support a family of two adults and two children.¹ This is about half of what seven out of 10 Americans say a family of four needs to make ends meet.²

A farmers market in Missoula, Montana, offers microentrepreneurs a place to sell their products.



"Improved public policy solutions are critical to reducing poverty and building sustainable prosperity across communities, across states and in the region," said Harrison who leads a policy development effort called **Strategies to Eliminate Poverty (STEP)**.

A collaboration between the Northwest Area Foundation and The Seattle Foundation, STEP works to reshape public policy through applied research, training and advocacy in Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon. It focuses on strategies to increase access to income and work supports, and to build assets and enterprise opportunities.

Since 2006, STEP has awarded nonprofit organizations nearly \$1.5 million in grants, including efforts to: bolster local and state asset-building approaches such as Individual Development Accounts and the Earned Income Tax Credit; expand the capacity of State Fiscal Analysis Initiative affiliates to respond quickly to tax and spending policies that affect the poor; and strengthen the ability of states to assess and address gaps in existing career pathways.

A Toolkit for States: Advocating for Consistent Policies

One STEP product looks at the inconsistencies and roadblocks that often trap people in a cycle of poverty.

"The reality is that a parent striving to advance in the workforce and support her family may actually find that achieving a raise of \$1 or \$2 an hour leaves her further behind than she was before due to a loss of child care assistance," added Kinsey Dinan from Columbia University's National Center for Children in Poverty.

"Strategies to Build Economic Security and Reduce Poverty: A Toolkit for States" is a manual that can help community leaders, advocacy groups and policymakers understand the obstacles and opportunities for the working poor within state, national, county and city policies. It highlights outdated federal poverty guidelines and the state-to-state differences in accessing and coordinating public supports. The Toolkit also offers a new vision for building economic security, and describes four key strategies to address policy lags and inconsistencies, disconnects and inequities.

It includes a state-by-state snapshot of policies in eight categories of well-being including health, education, child care, workforce development, housing, food security, asset building and taxes. While focused on the Upper Midwest and Pacific Northwest, the Toolkit can be applied to any state or region.

Improving Policies for the Newest Americans

The aspirations and well-being of our country's newest residents prompted several major foundations to form the **Four Freedoms Fund**, a national funding collaborative that seeks to energize American democracy through the full participation of immigrants and refugees. The Northwest Area Foundation joined in 2009, leveraging its resources with those of other funders in an effort already at work in over two-thirds of the country.

Every year, more than one million immigrants and refugees³ settle in inner cities and in small rural towns across America. Approximately 35 million immigrants and their children now reside here.⁴ While they provide social and economic energy, there are significant barriers to their full participation in American life, including language, racial and ethnic discrimination, and isolation.

"We envision a nation where immigrants are fully engaged and empowered; where they live and work openly, contribute their voice to the American process, and fully participate in a democratic society," says Magui Rubalcava Shulman, of the Four Freedoms Fund. "Getting there takes innovative strategies and sustained funding to promote policy advocacy, defense of rights and due process and civic participation that includes naturalization, voter engagement and leadership development," she said.

Founded in 2003, the Fund has invested more than \$23 million dollars in 85 proven and promising grantees in 33 states that have large or growing immigrant populations. These include coalitions in Washington, Idaho and Oregon. The organization supports grantee efforts to form strategic alliances among immigrants and non-immigrant groups to address social justice issues that affect immigrant and refugee communities. It funds state-based efforts to: support public policies that address challenges and opportunities, including comprehensive immigration reform; increase civic engagement and integration; and protect civil liberties and human rights. The Fund also provides multiyear capacity-building support and peer-learning opportunities for anchor organizations, and operates as a "link tank" coordinating other grantmakers with grantee networks.

¹ 2008 U.S. Census Bureau.

² 2008 national telephone survey of 4,000 adults commissioned by the Northwest Area Foundation. Seven out of 10 said it takes at least \$40,000 a year to support a family of four. (2008, "Struggling to Make Ends Meet: Americans Worry About Income and Economy," www.nwaf.org.)

³ Source: U.S. Department of Homeland Security, Population Estimates, February 2009, <http://www.dhs.gov>.

⁴ Immigration Policy Center, 2005 data, <http://immigration.server263.com/index.php?content=pr0608>.

GRANTS LIST

In fiscal year 2009, the Foundation made 143 grants totaling nearly \$12 million. The following list includes new grants awarded as well as payments made during the fiscal year on earlier grant agreements.

- | \$1–\$4,999
- | \$5,000–\$24,999
- | \$25,000–\$99,999
- | \$100,000+

Affirmative Options Coalition
(F/S Three Rivers Community Action Inc.)
St. Paul, MN
\$20,000
1/31/2007–7/1/2008
Enhance communications that will enlist public support for reducing poverty

African Development Center
Minneapolis, MN
\$50,000
3/12/2009–3/31/2010
General operating support

Asian American-Pacific Islanders In Philanthropy
San Francisco, CA
\$4,000
4/1/2008–3/31/2009
Annual membership

The Aspen Institute Inc.
Washington, DC
\$4,000; \$100,000; \$205,552 (three grants)
4/1/2008–7/31/2010
Annual membership; support for the roundtable on community change, “Voices from the Field III” project; support for the Rural Family Economic Success Institute (joint program with the Annie E. Casey Foundation)

Association of Black Foundation Executives Inc.
New York, NY
\$1,500
4/14/2008–3/31/2009
Annual membership

Blackfeet Reservation Development Fund Inc.
Browning, MT
\$50,000
3/16/2009–3/31/2010
Support for minibank/financial literacy programs in Montana

BoardSource
Washington, DC
\$5,000
4/1/2008–3/31/2009
Annual membership

Build Wealth MN Inc.
Minneapolis, MN
\$50,000
2/25/2009–3/31/2010
Support to launch the Family Stabilization Plan

BuRSST for Prosperity Inc.
(F/S Children’s Home Society of Washington)
Renton, WA
\$2,000,000
1/17/2005–3/31/2009
Support Venture Partnership – Central South King County

California Tomorrow
Oakland, CA
\$25,000
3/1/2007–2/27/2009
Bilingualism and biliteracy as assets in the Latino community

Catholic Charities of Idaho Inc.
Boise, ID
\$49,498; \$46,300 (two grants)
6/1/2008–7/31/09
Transitional grant for implementation and for final phase of the Raíces project

Catholic Charities of Idaho Inc.
Boise, ID
\$49,498
6/1/2008–11/30/2008
Transitional grant for implementation of the Raíces project

Catholic Charities USA
Alexandria, VA
\$30,000
3/16/2009–2/27/2010
Support for Centennial Roll-Out activities (in Minnesota and Oregon)

Center for Law and Social Policy
Washington, DC
\$100,000
3/16/2009–3/31/2011
Support for the Spotlight on Poverty and Opportunity: the Source for News, Ideas and Action Initiative

Center for Lobbying in the Public Interest
Washington, DC
\$15,000
5/1/2007–11/15/2008
Advocacy training for nonprofit organizations in Northwest Area Foundation’s eight-state region

Center for Rural Affairs
Lyons, NE
\$50,000
3/12/2009–3/15/2010
Support for outreach of the Rural Microentrepreneur Assistance program

CFED (Corporation for Enterprise Development)
Washington, DC
\$20,000; 8,500 (two grants)
9/13/2007–5/31/09
Distribution, promotion and asset development for documentary *Living with a Hole in Your Pocket*; support “Sharing What Works” at the Council on Foundations annual conference, April 2009

Cheyenne River Sioux Tribe
Eagle Butte, SD
\$2,462,000
3/31/2006–3/31/2016
Support Venture Partnership – Ventures Poverty-Reduction Plan

City of Coon Rapids
Coon Rapids, IA
\$9,000
3/3/2008–1/30/2009
Implementation of Creating a Value-Added Community (CVAC) curriculum in four Iowa communities

Community Council
Walla Walla, WA
\$9,000
3/12/2008–2/27/2009
Implementation of Creating a Value-Added Community (CVAC) curriculum in three Washington communities

Council on Foundations Inc.
Arlington, VA
\$39,500
4/1/2008–3/31/2009
Annual membership

Demos: A Network for Ideas & Action
New York, NY
\$15,000
3/17/2009–9/30/2009
Planning grant to support research on financial literacy for young people

Development Training Institute
Ellicott City, MD
\$30,000
3/12/2009–6/30/2010
Support for implementation of the Minnesota Latino Nonprofit Leadership Academy

EMERGE Community Development
Minneapolis, MN
\$30,000
3/16/2009–4/30/2010
Support the Green Jobs work plan and pilot project

Foundation Center

New York, NY
\$3,500
4/1/2008–3/31/2009
Annual membership

Four Bands Community Fund Inc.

Eagle Butte, SD
\$10,000
3/17/2009–5/31/2009
Sponsor the South Dakota Indian Business Alliance conference, May 2009 in Rapid City, SD

Grantmakers Concerned with Immigrants and Refugees

Sebastopol, CA
\$15,000
9/2/2008–8/30/2009
Membership and general operating support

Grantmakers for Effective Organizations

Washington, DC
\$5,000
4/1/2008–3/31/2009
Annual membership

Grantmakers of Oregon and SW Washington

Portland, OR
\$4,750
4/1/2008–3/31/2009
Annual membership

Grants Managers Network Inc.

Metairie, LA
\$1,000
4/1/2008–3/31/2009
Annual membership

Greater Twin Cities United Way

Minneapolis, MN
\$15,000
3/16/2009–3/1/2010
Support for the North Minneapolis Un(der)banked Initiative

Harvest Preparatory Charter School Inc.

Minneapolis, MN
\$1,000
6/1/2008–7/30/2008
Sponsorship for Shades of Diversity dinner

Hispanics in Philanthropy

San Francisco, CA
\$4,000
4/1/2008–3/31/2009
Annual membership

ICAN (Idaho Community Action Network)

Boise, ID
\$50,000
3/2/2009–3/1/2010
Support for increasing parent and student participation in the education system

Independent Sector

Washington, DC
\$12,500
4/1/2008–3/31/2009
Annual membership

Iowa Council of Foundations

Des Moines, IA
\$1,000
4/1/2008–3/31/2009
Annual membership

Iowa State University of Science and Technology

Ames, IA
\$23,000
6/9/2008–8/15/2008
Research on the impact of immigration and customs enforcement raids on rural Latinos in Marshalltown, IA

Iowa Valley Community College District

Marshalltown, IA
\$48,274
6/1/2008–11/30/2008
Transitional grant for implementation of the Raíces project

JOBS NOW Coalition

St. Paul, MN
\$30,000
3/5/2009–11/30/2009
Support for the Minnesota Emergency Jobs program

Latino Economic Development Center

Minneapolis, MN
\$800; \$50,000 (two grants)
12/9/2008–1/31/2009
Support participation in the Expanding Asset Building Opportunities Through Shared Ownership conference; general operating support

Main Street Project

Minneapolis, MN
\$42,860; \$70,000 (two grants)
6/1/2008–3/31/2010
Transitional technical support for the Raíces project community-based organizations; support for the Rural Learning Center, Agripreneur training program

Metropolitan Consortium of Community Developers

Minneapolis, MN
\$5,000
9/22/2008–12/31/2008
Sponsorship for 20/20: A Twin Cities Community Development Expo

Migration Dialogue

Davis, CA
\$5,000
3/12/2009–1/31/2010
Support for the Changing Face: Immigration Reform Initiative 2009

The Minneapolis Foundation

Minneapolis, MN
\$40,000
3/12/2009–7/31/2009
Support Minnesota's Bottom Line report – a study to develop options for efficiently using tax dollars to reduce MN's state budget deficit

Minnesota Council of Nonprofits

St. Paul, MN
\$8,000; \$40,000; \$30,000 (three grants)
9/30/2008–3/31/2010
Support for the annual conference reception, October 2, 2008, at the St. Paul River Centre; support for the Nonprofit Transformation Initiative; support for the Minnesota budget project

Minnesota Council on Foundations

Minneapolis, MN
\$24,500
4/1/2008–3/31/2009
Annual membership

Minnesota Home Ownership Center
St. Paul, MN

\$150,000
3/17/2009–3/15/2010
Support for the Foreclosure Prevention Capacity-Building Initiative

Montana Community Development Corporation
Missoula, MT

\$20,000; \$50,000 (two grants)
8/1/2006–6/30/2010
Develop a current online Wage and Benefit Metric tool that measures job quality; Support to expand lending and entrepreneurial development services to eastern Montana

Montana Homeownership Network Inc.
Great Falls, MT

\$100,000
3/16/2009–6/30/2014
Support a statewide Individual Development Account (IDA) program in Montana

Montana State University
Bozeman, MT

\$32,831; \$412,167; \$45,000 (three grants)
6/1/2006–7/15/2010
Horizons II delivery organization; Horizons III delivery organization; support for follow-up work with the Horizons pilot and Horizons II alumni

National Association for Latino Community Asset Builders
San Antonio, TX

\$10,000; \$20,000 (two grants)
10/1/2008–10/31/2009
Support for distribution of the “Best Practices in Latino Asset Building” booklet; support for scholarships to 2009 national conference, Sept. 2009 in CA

National Committee for Responsive Philanthropy
Washington, DC

\$5,000
4/1/2008–3/31/2009
Annual membership

National Urban Fellows Inc.
New York, NY

\$63,000
7/14/2008–5/30/2009
Underwriting costs associated with mentor placement activities

National Urban Fellows Inc.
New York, NY

\$63,000
3/16/2009–5/31/2010
Underwriting costs associated with mentor placement activities

National Urban Indian Family Coalition (F/S Native American Youth and Family Center)
Seattle, WA

\$15,000
9/1/2008–11/15/2008
Support for Revealing an Invisible Population: Strategies for Building Urban Indian America conference, Oct. 2008 in Minneapolis, MN

Native American Youth and Family Center
Portland, OR

\$1,250
10/24/2008–12/15/2008
Support for the 2008 dinner and auction in Portland, OR

Native Americans in Philanthropy
Minneapolis, MN

\$4,000; \$40,000
4/1/2008–3/31/2010
Annual membership; support for Circle of Leaders

Neighborhood Funders Group
Washington, DC

\$2,500
4/1/2008–3/31/2009
PRI Makers Network – annual membership

The Network for Better Futures
Minneapolis, MN

\$50,000
3/17/2009–3/31/2010
Develop the Better Futures Enterprises program

Next Door Inc.
Hood River, OR

\$49,999.99
6/1/2008–9/30/2008
Transitional grant for implementation of the Raíces project

North Dakota State University
Fargo, ND

\$525,000; \$45,000
7/17/2008–7/15/2010
Horizons III delivery organization; support for follow-up work with the Horizons pilot and Horizons II alumni

Northern Connections (F/S West Central Initiative)
Fergus Falls, ND

\$20,000
3/24/2006–6/30/2009
‘Connectinc.’ replication project (for improving self-sufficiency)

NorthWay Community Trust
Minneapolis, MN

\$1,000,000
12/15/2008–12/31/2011
Poverty-reduction initiatives

Panhandle Planning & Development Council
Hayden, ID

\$9,000
8/1/2007–2/28/2009
Implementation of Creating a Value-Added Community (CVAC) curriculum in Idaho

The Paul J. Aicher Foundation
East Hartford, CT

\$127,400
8/1/2008–9/15/2009
Horizons III Everyday Democracy training

Philanthropy Northwest
Seattle, WA

\$12,275
4/1/2008–3/31/2009
Annual membership

Public Interest Projects Inc.
New York, NY

\$100,000
3/2/2009–2/28/2010
Support for the Four Freedoms Fund – national funding collaborative around immigrants and immigrant rights

Regents of the University of Idaho
Moscow, ID

\$9,109; \$425,333; \$42,000 (three grants)
6/1/2006–7/15/2010
Horizons II delivery organization; Horizons III delivery organization; support for follow-up work with Horizons pilot and Horizons II alumni

Regents of the University of Minnesota
Minneapolis, MN

\$457,000; \$41,000; \$30,991 (three grants)
7/17/2008–7/31/2010
Horizons III delivery organization; support for follow-up with the Horizons pilot and Horizons II alumni; support for the Center for Democracy and Leadership

Renewing the Countryside II
Minneapolis, MN

\$19,000
7/1/2007–12/31/2008
Implementation of Creating a Value-Added Community (CVAC) curriculum

Rural Dynamics Inc.
Great Falls, MT

\$50,000
3/16/2009–6/30/2010
General operating support for continued development of asset- and wealth-building programs

Rural Health Resource Center
Duluth, MN

\$25,000
10/1/2006–8/29/2008
Culture of Wellness pilot model

“Struggling to Make Ends Meet” 2009 Survey

Americans are living through the longest recession in a generation, and many are changing the way they live because of it. This trend is among the findings in the Northwest Area Foundation’s fourth national survey of perceptions of the struggle to make ends meet within homes and local communities.

The 2009 telephone poll of 4,000 adults found:

- Slightly more than one in four said someone in their family had been laid off or lost a job, and the same percentage said they are having trouble paying for basic necessities.
- Nearly half, 49 percent, said they don’t know where to go for help within their own communities.

- Most said that top or high priorities for local elected officials should be attracting and keeping good-paying jobs, affordable health care, affordable college or vocational education, and making sure there is a safety net for homeowners and renters.
- Two-thirds, 68 percent, said it takes at least \$40,000 a year to support a family of four. Similarly, 63 percent said two workers each earning \$10/hour do not make enough to meet the needs of a four-person family.

Despite their economic worries, Americans remain hopeful of improvements in their own communities. Most say they personally want to do more to help, and they believe local elected officials must play a critical role to reduce the numbers of people struggling to make ends meet.

Visit www.nwaf.org for full details and tools on the national results, and for state-by-state breakdowns for Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon.

STRUGGLING TO MAKE ENDS MEET

Hard Hit by Recession, Americans Take Action but Expect Officials to Do More

NATIONAL

Americans all across the nation say that things are even tougher for their families than suggested by the official unemployment ratings. According to a national survey, they have seen more people struggling to make ends meet in the past 12 months than in the previous year. Many report job losses, reduced work hours, and smaller budgets for food, medical care and other basic needs. Respondents say they have taken steps such as lending money to family and friends in need, and some report sheltering loved ones, yet nearly half say they are unsure of where to turn for help if they need it.

While many said they are willing to do more to help those who are struggling, they also believe elected officials are not doing enough. A majority of respondents said local elected officials have responsibility to attract well-paying jobs, to improve access to affordable health care and education, and to ensure a housing safety net. And most of those surveyed said they think about this when they go to vote.

Families Hit Hard by Recession

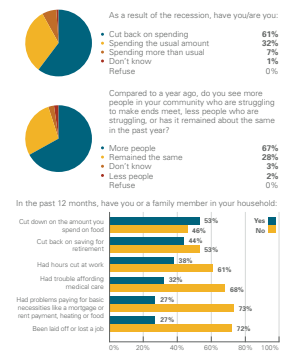
When asked about the economic struggle within their homes and communities, six in 10 Americans (61%) say they have cut back their spending as a result of the recession. More than half of those who have reduced spending say they think their reduced spending will be permanent (57%). More than half of Americans (53%) say that in the past year, they or a family member have specifically cut back on the amount they spend on food. One-quarter (27%) say they or a family member living with them have lost a job in the past 12 months. More than a third (38%) say that they have had their hours cut at work. Thirty-six percent of racial and ethnic minorities report that someone in their household has lost a job, compared to 23 percent of white, non-Hispanic Americans.

One in four families (27%) have had problems paying for basic necessities like mortgage or rent, heating or food. More than four in 10 (44%) have cut back on their retirement savings.

In all, two-thirds (67%) of Americans say more people are struggling in their community now, compared to a year ago. A majority (57%) says they would benefit personally if the number of people struggling in their community was reduced.

“These poll numbers reflect the vulnerability brought on by an economy that provides few incentives for families trying to build enduring personal assets. As we work to recover from this recession and build a stronger economy, local and state officials have the opportunity to support incentives that encourage financial security, such as matched savings programs, that can benefit the low- and middle-income families who need help most.”

—Andrea Levine, president, CFED



The Seattle Foundation
Seattle, WA

\$100,000
3/16/2009–3/31/2010
Support for the Seattle-King County Washington Workforce Education Coalition's 2nd Chance Washington Initiative

Sitting Bull College
Fort Yates, ND

\$245,000
1/11/2009–12/31/2009
Support for continuation of the Horizons program

South Dakota State University

Brookings, SD
\$511,000; \$45,000 (two grants)
7/17/2008–7/15/2010
Horizons III delivery organization; support for follow-up work with the Horizons pilot and Horizons II alumni

Spring Institute for Intercultural Learning
Denver, CO

\$5,000
2/28/2009–7/31/2009
Sponsorship of the National Immigrant Integration conference, June 2009 in Denver, CO

Summit Academy OIC
Minneapolis, MN

\$50,000
3/12/2009–3/15/2010
Support for the HIRE Minnesota program

Takeaction Minnesota Education Fund
St. Paul, MN

\$35,000
3/16/2009–3/31/2010
Develop leadership and build capacity in Hmong and Native American communities

Turtle Mountain Band of Chippewa Indians
Belcourt, ND

\$925,000; \$4,000 (two grants)
3/31/2006–3/31/2016
Support Pathways to Prosperity, 10-year poverty-reduction strategies; implement Creating a Value-Added Community (CVAC) curriculum in Native American communities

Twin Cities Habitat for Humanity
Minneapolis, MN

\$2,500
3/16/2009–5/31/2009
Sponsorship of the Hard Hat & Black Tie Gala, May 2009

Twin Cities Public Television
St. Paul, MN

\$18,815; \$9,000 (two grants)
3/20/2007–5/31/2009
Produce a 30-minute documentary *Living with a Hole in Your Pocket*; support for "Sharing What Works" at the Council on Foundations annual conference, April 2009

United Way of Jackson County
Medford, OR

\$3,000
2/19/2009–5/15/2009
Sponsorship of the 2009 Oregon Nonprofit Leaders conference, April 2009 in Oregon

University of Idaho Foundation Inc.
Moscow, ID

\$20,000
4/1/2008–10/30/2009
Updates and maintenance to the NWAIF Indicators Website

University of Iowa – Sponsored Programs Administration
Iowa City, IA

\$3,000
9/15/2008–11/15/2008
Support for the Strengthening and Valuing Latinos/a Communities in Iowa conference, October 2008 in Des Moines, IA

University of Richmond
Richmond, VA

\$195,000
9/1/2008–9/30/2009
Horizons III LeadershipPlenty program

University of St. Thomas
St. Paul, MN

\$10,000
3/16/2009–3/31/2010
Urban Journalism Workshop – a summer program for minority youth families interested in creating stories about their lives while developing journalism skills

Washington State University
Pullman, WA

\$525,000; \$45,000; \$31,000 (three grants)
7/17/2008–7/31/2010
Horizons III delivery organization; support for follow-up with the Horizons pilot and Horizons II alumni; support for the Rural Family Economic Success Institute to be held Winter 2009

\$1–\$4,999

\$5,000–\$24,999

\$25,000–\$99,999

\$100,000+

Western States Center
Portland, OR

\$20,000
7/29/2008–9/15/2008
Support for the Community Strategic Training conference

Willmar Area Multicultural Market
Willmar, MN

\$50,000; \$85,000 (two grants)
6/1/2008–3/31/2010
Transitional grant for implementation of the Raíces project; support for implementation of the final phase of Raíces project and for a Kitchen Incubator Initiative

YWCA of Minneapolis
Minneapolis, MN

\$1,000
1/28/2009–5/15/2009
Sponsorship for the Circle of Women luncheon, April 2009

Grassroots & Groundwork: Seizing Opportunities to Reduce Poverty and Build Community Prosperity

May 13–14, 2010
Portland, Oregon

The struggle to make ends meet has become the national story. Today, more community members, government and business leaders, service providers, grassroots advocacy organizations and funders strive to find strategies and tools that will help low-income populations move from poverty to lasting prosperity.

If this is your work and your goal – this is your conference.

Grassroots & Groundwork 2010 is designed to spotlight successful and innovative models and tools for reducing poverty and building sustainable prosperity – by supporting asset-

and wealth creation through approaches such as Earned Income Tax Credits and individual savings accounts, tapping job opportunities within emerging industries and new markets like renewable energy and local foods, and bolstering financial literacy among new Americans, to name just a few.

The national conference typically draws hundreds of attendees from nonprofit organizations, socially conscious businesses, local governments, education and funding organizations. On-the-ground practitioners lead breakout sessions that welcome close examination of programs with track records of success, as well as newer projects showing progress. Keynote speakers deliver bold – and practical – perspectives and share experiences that inspire and instruct. Attendees can also register for one of two optional, half-day Community-Builder Institute workshops: *Communicating for Social Change*, or *Influencing Public Policy*.

For more information, visit
www.grassrootsandgroundwork.org,
and watch for updates in the months ahead!



12 FINANCIAL OVERVIEW

Treasurer's Report

Millie Acamovic

The Northwest Area Foundation ended the year in very sound financial condition. Despite a difficult market environment, multiple economic crises and the subsequent decline in its investment portfolio, the Foundation honored all grant commitments, embarked upon its new strategic direction, and successfully complied with all new regulatory and accounting requirements for its 2009 fiscal year, which ended on March 31, 2009.

Fiscal Year 2009 Highlights:

The Foundation remained committed to managing its financial resources and investment assets effectively.

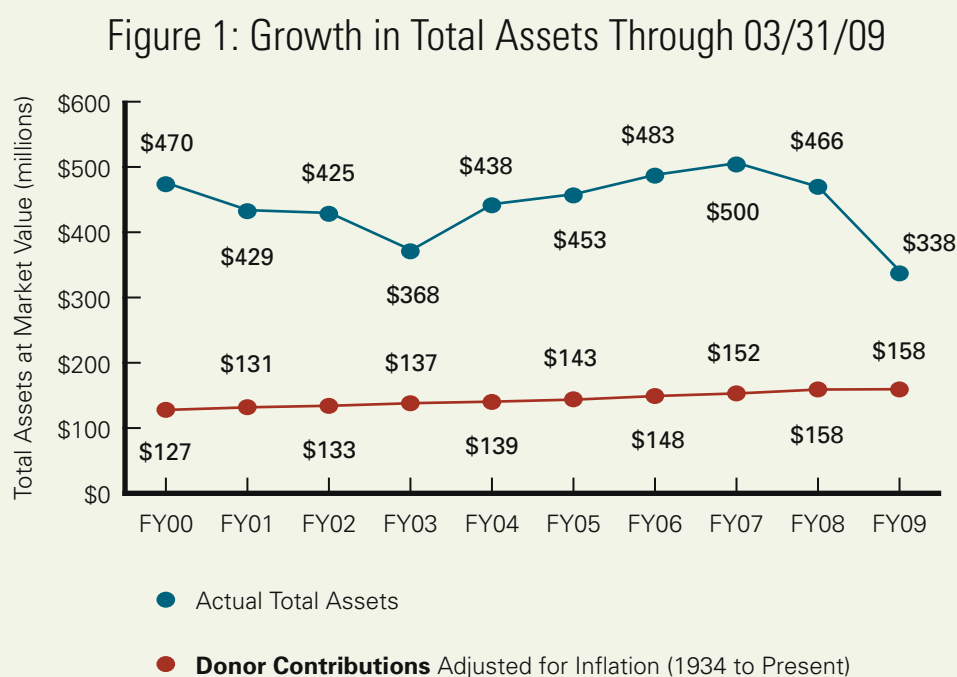
Northwest Area Foundation has three key objectives with respect to its valuable assets:

1. Maintain and spend sufficient resources to support the Foundation's mission within its eight-state region.
2. Honor the requirements of the founding donor to have the Foundation exist in perpetuity by effectively managing and growing the investment portfolio.
3. Achieve the federal payout requirement to distribute at least 5 percent of the average market value of the Foundation's assets each year.

These objectives are funded and supported by the Foundation's investment portfolio, which is carefully managed by the board's investment committee with support from the chief financial officer and an investment consultant. The goal is to generate an adequate return to meet the needs of the Foundation without engaging in an excessive level of risk. This is accomplished by using a diversified asset allocation strategy that is monitored throughout the fiscal year and adjusted as market and economic conditions change.

The organization remained committed to its long-term existence by retaining the purchasing power of its assets over time.

The Foundation continues to retain the purchasing power of the original donor contributions despite the significant market decline of the past year. Figure 1 shows the trend line for the Foundation's total asset value ending with approximately \$338 million on March 31, 2009. This is compared to the inflation-adjusted value of the original contributions made to the Foundation at its inception in 1934, ending with approximately \$158 million on March 31, 2009. Because the actual value exceeds the inflation-adjusted value, the Foundation is on track to meet its perpetuity goal of maintaining the purchasing power of its original contributions over the course of time.



The Foundation continued to fund poverty-reduction efforts despite difficult market conditions and less-than-desired investment portfolio returns.

Northwest Area Foundation started the fiscal year with \$466 million in assets and ended the year with \$338 million in assets. While our intention is to pay expenses out of investment returns, the near-meltdown of the financial markets prevented this from occurring in fiscal year 2009. Revenues for the year were a negative \$106 million and the return on the portfolio was approximately -25 percent. The majority of these losses were unrealized, and the Foundation remains poised to participate in any market rebounds. Though negative, this return compares favorably to the -38 percent return for the S&P 500 during the same time period and reflects positively on the impact and effectiveness of the Foundation's asset class diversification strategy. Despite this decrease in the value of the portfolio, the Foundation continued its philanthropic work, spending approximately \$19 million in qualifying distributions for the year.

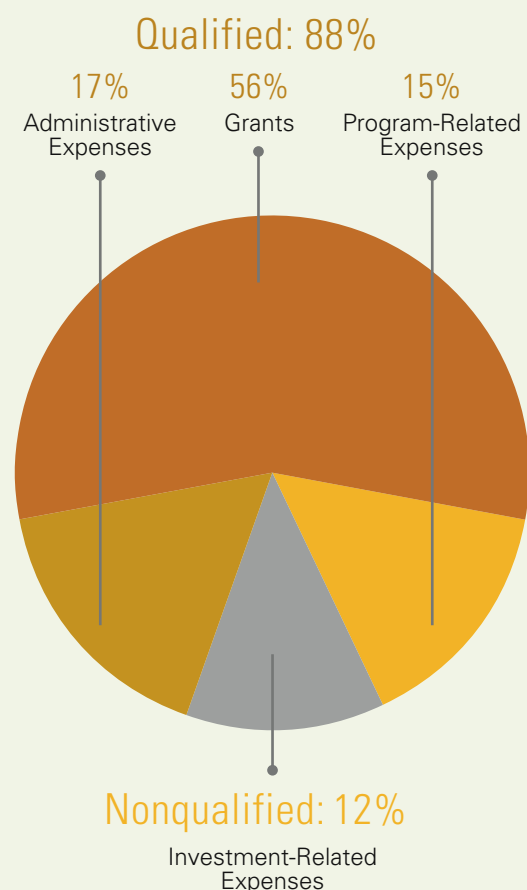
It met the 5 percent payout requirement and used the majority of dollars for grants and direct program-related expenses.

Grants in fiscal year 2009 totaled approximately \$12 million. Program-related expenses were approximately \$3.2 million for our sponsorship of activities such as community meetings, resources for regional strategy and implementation work, and related efforts of working with local communities to create capacity and reduce poverty over the long term. As shown in Figure 2 below, these total program costs make up 71 percent of the Foundation's total expenses for the year.

Costs related to running the Foundation's operations were \$3.5 million, approximately 17 percent of total expenses. Costs related to managing the Foundation's investments, federal excise taxes and unrelated business income taxes, none of which contribute to the Foundation's payout requirement, contributed the remaining 12 percent of total expenses. Total qualifying distributions were approximately \$19 million for the year, easily meeting and exceeding the 5 percent payout requirement of approximately \$14 million.

In addition to the grants above, Northwest Area Foundation also directed to various grantees more than \$11 million from its donor advised funds held by community foundations in our eight-state region to support efforts to reduce poverty.

Figure 2: Allocation of Expenses in FY09





Umpqua Community Development Corporation promotes economic development and affordable housing in southwest Oregon.

Northwest Area Foundation makes both program-related investments (PRIs) and mission-related investments (MRIs).

The Foundation has funded a variety of PRIs that provide resources to communities in the form of revolving loans that can then be deployed locally and used for a variety of purposes including homeownership, business development, and economic diversification and support. As of March 31, 2009, these assets totaled \$9.9 million for 16 outstanding PRIs. Despite market volatility, the Foundation funded one new PRI for \$250,000 during the fiscal year.

In addition, in 2004, the Foundation allocated \$10 million to its MRI portfolio. This portfolio is a private equity, venture capital fund that is designed to meet the needs of established, private, mid-to-late-stage companies that require additional funding for growth. In addition to having an investment return goal, this portfolio also has mission-related objectives in order to monitor the development and maintenance of an adequate workforce and the retention of local businesses within the eight-state region; these objectives address job quality, the provision of retirement and other benefits, and the availability of workforce training at each firm. In this regard, the fund has been very successful, with survey data so far indicating that job growth, wages and benefits in the companies in this portfolio exceed those of similar regional or national firms. Investment performance of the fund has been as expected. Approximately \$8.5 million of the \$10 million has been actively invested with the expectation that all \$10 million will be fully invested within the next one to two years.

The Foundation met its five-year relative return targets despite market challenges.

Northwest Area Foundation has established five-year risk and return objectives for its investment portfolio. The Foundation met its relative return target, achieving a 36th percentile ranking against an independent foundation and endowment universe benchmark and a 40th percentile ranking against an independent, institutional investor benchmark. The risk-adjusted performance of the portfolio is also expected to exceed that of its benchmark as measured by the Sharpe ratio of the portfolio. For the five-year period ending March 31, 2009, the Sharpe ratio of the Foundation's portfolio matched that of the relevant benchmark, indicating that the Foundation achieved an equivalent return for each unit of risk that was taken versus the benchmark.

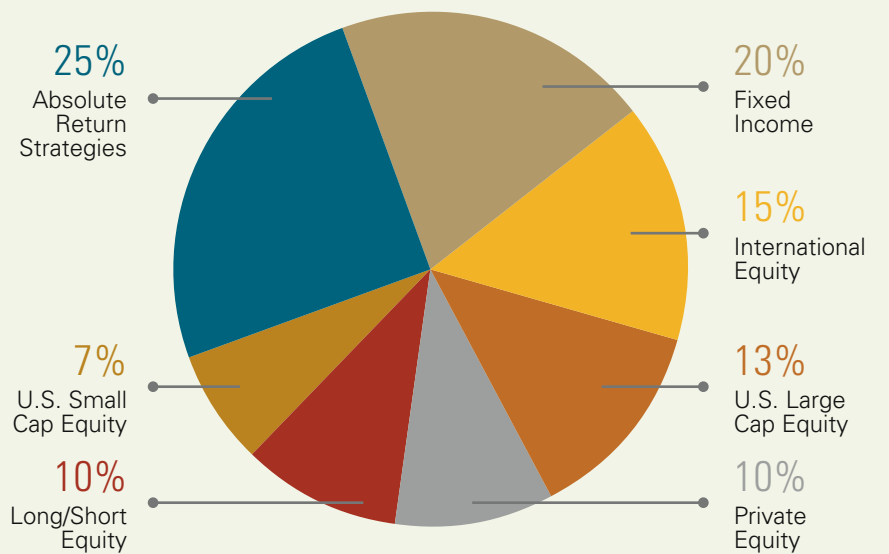
Assets remained well diversified.

The Foundation's investment portfolio is well-diversified, with assets invested across seven asset classes whose target allocations are represented in Figure 3. This diversification has contributed to positive portfolio performance versus the benchmark and the S&P 500. Of note, in 2003 the Foundation approved a 10 percent allocation to private equity, which is being funded over time. Through March 31, 2009, this asset class totaled 9 percent of the portfolio with the remainder to be added as investment opportunities are uncovered. In fiscal year 2009, the investment committee also approved and funded a 10 percent allocation to a long/short equity strategy, which will allow it to take advantage of market volatility during both market downturns and recoveries.

NWAF enhanced its infrastructure and successfully complied with all newly enacted regulations and standards.

In order to comply with the new Uniform Prudent Management of Institutional Funds Act (UPMIFA), the board of directors reviewed and affirmed its level of Permanently Restricted Net Assets to be the historic dollar value of the original donor contributions. After much research and analysis, the board also adopted a new spending policy. The Foundation's total annual expenditures will not

Figure 3: Target Asset Allocation



exceed 6 percent of the five-year, rolling average value of its assets. This will strengthen internal controls for the Foundation, allow for the establishment of more effective budgets using historical inputs, and improve the Foundation's ability to do long-term planning as it enters a new strategic direction in grantmaking. The Foundation also adopted a new accounting standard, FAS 157 – Fair Valuation, which required it to segment its investment assets into levels based upon observable prices and transactions and increased the Foundation's due diligence activities related to understanding and affirming the investment asset values provided by its money managers. Finally, the Foundation installed a new accounting software that will automate many manually intensive processes, provide enhanced budgeting features to support its new strategy, and support its environmental and process improvement efforts to reduce paper waste and leverage technology more effectively.

Board committees helped fulfill fiscal and fiduciary responsibilities.

In addition to the board activities mentioned above, the audit committee oversees the financial reporting process, internal controls and the annual financial audit. We are pleased to report that the Foundation received an unqualified opinion for the year with the annual financial statements provided on the following pages. The Foundation's tax return, the 990-PF, will be available in late 2009. The investment committee has authority over the investment portfolio: it determines asset allocation; assesses, retains and terminates investment managers and custodians; monitors risk and performance; and recommends investment policy to the board of directors. The committee also reviews performance on a quarterly basis, regularly meets with the investment managers, and holds an annual strategy session to discuss new investment approaches and opportunities. Jeffrey Slocum & Associates serves as an advisor to this committee. In addition to its regular activities, the investment committee also held a special meeting to discuss the economic crisis, its implications for the portfolio and adjustments to be made. A planning session for a joint meeting of the audit and investment committees was held as well to discuss the risks and potential mitigation steps given the year's regulatory and economic changes.

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Independent Auditors' Report

Board of Directors
Northwest Area Foundation
St. Paul, Minnesota

We have audited the accompanying statements of financial position of Northwest Area Foundation (Foundation) as of March 31, 2009 and 2008, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Area Foundation as of March 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
Minneapolis, Minnesota
July 29, 2009

Statements of Financial Position

March 31, 2009 and 2008

	2009	2008
Assets		
Cash	\$ 605,128	\$ 598,844
Receivable for Securities with Settlements Pending	68,123	31,967
Accrued Investment Income	608,093	659,125
Investments, at Fair Value (Cost Value: 2009 - \$376,909,748; 2008 - \$410,933,229):		
Temporary Cash Investments	7,440,588	2,456,263
Fixed Income	70,459,670	96,457,731
Domestic Equities	50,743,017	120,134,052
International Equities	35,781,054	78,939,183
Absolute Return Strategies	88,405,521	127,892,050
Long-Short Equity	42,072,671	
Private Equities	29,920,970	27,755,335
Total Investments	324,823,491	453,634,614
Program-Related Investments	9,872,119	9,944,271
Other Assets	552,048	128,846
Prepaid Excise Tax	131,629	217,528
Leasehold Improvements, Furniture and Equipment, Net of Accumulated Depreciation and Amortization of \$2,307,386 and \$2,059,991 in 2009 and 2008, Respectively	946,929	1,137,996
Total Assets	\$ 337,607,560	\$ 466,353,191
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Other Liabilities	\$ 665,186	\$ 1,003,553
Payable for Securities with Settlements Pending	200,228	171,999
Unpaid Grant Commitments		25,000
Leasehold Incentives	164,338	217,642
Federal Excise Tax Payable, including Deferred		930,500
Total Liabilities	1,029,752	2,348,694
Net Assets		
Unrestricted	326,253,514	453,680,203
Permanently Restricted	10,324,294	10,324,294
Total Net Assets	336,577,808	464,004,497
Total Liabilities and Net Assets	\$ 337,607,560	\$ 466,353,191

Statements of Activities and Change in Net Assets

Years ended March 31, 2009 and 2008

	2009			2008		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Revenues						
Dividends	\$ 2,030,791		\$ 2,030,791	\$ 4,157,670		\$ 4,157,670
Interest	7,875,591		7,875,591	5,849,319		5,849,319
Net Depreciation in Fair Value of Investments	(116,104,816)		(116,104,816)	(7,219,830)		(7,219,830)
Other	23,469		23,469	70,144		70,144
Total Revenues	(106,174,965)		(106,174,965)	2,857,303		2,857,303
Expenses						
Program:						
Grants Appropriated, Net of Cancellations and Refunds	\$ 11,912,043		\$ 11,912,043	\$ 24,067,900		\$ 24,067,900
Program-Related Administrative	3,204,743		3,204,743	3,840,531		3,840,531
Administrative:						
Nonprogram-Related Administrative Expenses	3,835,797		3,835,797	3,955,374		3,955,374
Investment and Related Fees	3,140,210		3,140,210	4,844,375		4,844,375
Federal Excise Tax and UBIT Provision	(841,069)		(841,069)	(175,418)		(175,418)
Total Expenses	21,251,724		21,251,724	36,532,762		36,532,762
Change In Net Assets	(127,426,689)		(127,426,689)	(33,675,459)		(33,675,459)
Net Assets - Beginning of Year	453,680,203	10,324,294	464,004,497	487,355,662	10,324,294	497,679,956
Net Assets - End of Year	\$ 326,253,514	\$ 10,324,294	\$ 336,577,808	\$ 453,680,203	\$ 10,324,294	\$ 464,004,497

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

Years ended March 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in Net Assets	\$(127,426,689)	\$ (33,675,459)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	311,096	352,784
Amortization of Leasehold Incentives	(53,304)	(57,722)
Net Depreciation in Fair Value of Investments	116,104,816	7,219,830
Deferred Excise Taxes	(930,500)	(406,500)
(Increase) Decrease in Assets:		
Accrued Investment Income	51,032	14,758
Program-Related Investments	72,152	618,932
Other Assets	(463,358)	(198,575)
Prepaid Excise Tax	85,899	
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	(338,367)	404,657
Unpaid Grant Commitments	(25,000)	5,000
Net Cash Used by Operating Activities	\$ (12,612,223)	\$ (25,722,295)
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	\$ 124,452,846	\$ 74,794,559
Purchases of Investments	(111,754,466)	(48,459,005)
Purchases of Leasehold Improvements, Furniture and Equipment	(79,873)	(148,254)
Net Cash Provided by Investing Activities	\$ 12,618,507	\$ 26,187,300
Net Increase In Cash	6,284	465,005
Cash - Beginning of Year	598,844	133,839
Cash - End Of Year	\$ 605,128	\$ 598,844
Supplemental Disclosures of Cash Flow Information		
Supplemental Disclosure of Noncash Investing Transactions:		
Change in Receivable for Securities with Settlements Pending	\$ 36,156	\$ (3,468,033)
Change in Payable for Securities with Settlements Pending	\$ 28,229	\$ 17,532
Cash Paid for Federal Excise Taxes		\$ 404,000

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

Northwest Area Foundation (the Foundation) is a private foundation incorporated under the laws of Minnesota. The Foundation exists to help communities in its eight-state region reduce poverty by providing knowledge, financial resources (including grants), products, and services.

The Foundation was originally formed by the donation of three gifts beginning in 1934 totaling \$10,324,294. The amount is preserved in permanently restricted net assets. As a result, the Foundation as a whole functions as an endowment.

Basis of Presentation

In the financial statements, net assets that have similar characteristics have been combined into categories as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted** – Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted** – Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on these investments.

As of and for the years ended March 31, 2009 and 2008, the Foundation had only unrestricted net assets and permanently restricted net assets.

The basis of presentation has not changed.

Uniform Prudent Management of Institutional Funds Act

Background

In August 2008, the State of Minnesota enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) replacing the previous Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, spending below the historic-dollar-value of an endowment was not permitted. Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to continue a prudent payout amount of a donor-restricted endowment even if the market value of the fund is below historic-dollar-value, with the expectation that, over time, the permanently restricted amount will remain intact.

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, The board of directors of the Northwest Area Foundation has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees, the duly appointed officers of the Northwest Area Foundation, and legal counsel, and in doing so has interpreted the law to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, the Northwest Area Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made to the fund in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters and Strategies

The Foundation's Statement of Investment Objectives and Policies indicates that the Foundation will invest its portfolio in a diverse set of asset classes, aiming to achieve above median relative returns at less than median levels of risk. The portfolio also aims to maintain its purchasing power over time as measured by the Consumer Price Index (CPI). In order to do so and to meet its obligation to exist in perpetuity, the absolute total return of the fund is targeted to be at least 6%.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy that states each fiscal year budget shall be no more than 6% of the historic, rolling average value of investment assets as calculated on a quarterly basis over the most recent 5-year period of time. The purpose of this policy is to ensure that the Foundation is spending its assets in a fiscally responsible manner and one that will allow it to fulfill the mission of the organization. The spending policy addresses other goals of the Foundation including assuring that the Foundation will exist in perpetuity as required by the Last Will and Testament of Louis W. Hill and complying with the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash

Cash represents funds held for use in the operations of the Foundation. Temporary cash investments held by investment managers are classified as a component of investments. At times, cash at financial institutions may be in excess of the FDIC insurance limit.

Investments

Investments are stated at fair value and include accrued income. The value of publicly traded securities is based upon quoted market prices and net asset values. For other securities, for which no such quotations or valuations are readily available, fair value is estimated using values provided by external investment managers. These consist of limited partnerships, mutual funds, fund of funds and hedge funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgments, which include, among other factors, restrictions affecting marketability and operating results.

The Foundation may also be invested in fixed income securities that are not actively traded and as such quoted market prices may not be available. These investments are priced using the estimates provided by investment managers. The Foundation believes that these valuations are a reasonable estimate of fair value as of March 31, 2009 and 2008, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

The Foundation invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Fair Value of Financial Instruments

At March 31, 2009 and 2008 the fair value of all financial instruments approximates carrying value.

- **Investments** – Fair value is based on quoted market prices or estimated fair value at the reporting date.
- **Grants Payable** – Carrying value is a reasonable estimate of fair value since the grants are considered to be current as of March 31, 2009 and 2008.
- **All Other** – Carrying value is a reasonable estimate of fair value for all other financial instruments due to the short-term nature of those financial instruments.

Program-Related Investments

Program-related investments consist of debt positions in organizations that conduct activities that fulfill the charitable purposes of the Foundation. Program-related investments are initially recorded on the statement of financial position at cost when approved. Uncollected interest earned on program-related investments with a debt position is recorded as earned and included in the investment account. These investments are recoverable over periods ranging up to 15 years. Should the lender fail to make progress towards their program goals the Foundation can require repayment. In the event that a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve.

Accrued Investment Income

Accrued investment income includes interest and declared dividends not yet received. Interest income is recorded in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets ranging from 3 to 10 years. Amortization of leasehold improvements is recorded on a straight-line basis over the shorter of the lease term or the estimated useful life of the improvement.

Leasehold Incentives

In May 2002, the Foundation received \$533,000 from its landlord for leasehold improvements. This amount has been deferred and is being amortized over the lease term of 10 years.

Grants

Grant appropriations are charged to unrestricted net assets at the time the grants are approved by the CEO/President of the Foundation subject to the guidelines set forth by the board of directors. Conditional grants are recognized as grant appropriations in the statement of activities and change in net assets when the conditions are met. Cancellations of grants occur when the grantees do not meet the grant terms. Grants are refunded when grant program needs are less than the appropriated amount.

Federal Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes except for income from its unrelated business activities.

Under Section 4940 of the Internal Revenue Code, the Foundation is subject to a 2% excise tax on its taxable investment income received, which principally includes income from investments plus net realized capital gains. Net capital losses, however, are not deductible. Under certain circumstances, the Foundation may qualify for a 1% excise tax rate. An annual determination is made by the Foundation as to whether a 1% or 2% rate is applicable in each year. The Foundation applied 2% and 1% excise tax rates for the current tax provision for the years ended March 31, 2009 and 2008, respectively.

Deferred taxes result from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Deferred excise tax expense (benefit) arises from the change in unrealized appreciation (depreciation) in fair value of investments and accrued investment income. The deferred excise tax provision (benefit) is calculated utilizing the 2% excise tax rate.

The Foundation has elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Foundation follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax positions.

Fair Value Measurement

On April 1, 2008, the Foundation adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). As permitted, adoption of SFAS 157 has been delayed for certain nonfinancial assets and nonfinancial liabilities to April 1, 2009. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Foundation accounts for its investments at fair value. In accordance with SFAS No. 157, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2

Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3

Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

The Foundation also adopted Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159), on April 1, 2008. SFAS 159 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Foundation has not elected to measure any existing financial instruments at fair value at April 1, 2008, as permitted under SFAS 159. However, the Foundation may elect to measure newly acquired financial instruments at fair value in the future.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments

Net depreciation in fair value of investments for the years ended March 31, 2009 and 2008 consist of the following:

Year Ended March 31, 2009

Net Realized Losses on Sales of Investments	\$ (23,602,400)
Net Unrealized Depreciation of Investments	(92,502,416)
Net Depreciation in Fair Value of Investments	\$ (116,104,816)

Year Ended March 31, 2008

Net Realized Gains on Sales of Investments	\$ 13,429,211
Net Unrealized Depreciation of Investments	(20,649,041)
Net Depreciation in Fair Value of Investments	\$ (7,219,830)

The Foundation had investment fees netted with unrealized depreciation of investments for the years ended March 31, 2009 and 2008 in the amount of \$2,328,192 and \$2,927,702, respectively.

3. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investments	\$ 22,599,638	\$ 134,290,196	\$ 160,493,069	\$ 317,382,903

Level 3 Assets

The following table provides summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended March 31, 2009:

Level 3 Assets	
Balances as of April 1, 2008	\$ 158,260,842
Net Realized and Unrealized Losses on Investments	(42,943,644)
Purchases of Investments	57,724,438
Proceeds from Sales of Investments	(12,548,567)
Balances as of March 31, 2009	\$ 160,493,069

4. Program-Related Investments

Program-related investments consist of the following at March 31:

	2009	2008
Midwest Minnesota Community Development Corporation (Debt) Matures September 2019	\$ 920,000	\$ 950,000
Neighborhood Development Center (Debt) Matures August 2023	339,747	363,086
Montana Community Development Corporation (Debt) Matures December 2015	341,949	365,384
First Children's Finance* (Debt) Matures in June 2013	234,375	281,250
CDC Bancshares (Debt) Matures April 2021	1,000,000	1,000,000
Grow Iowa Foundation (Debt) Matures April 2021	100,000	300,000
Idaho-Nevada Community Development Financial Institution (Debt) Matures April 2016	700,000	700,000
RAIN Source Capital Corporation** (Debt) Matures April 2017	1,000,000	1,000,000
North Country Cooperative Development Fund (Debt) Matures April 2021	1,000,000	1,000,000
NE Entrepreneur Fund (Debt) Matures April 2015	200,000	200,000
Initiative Foundation (Debt) Matures December 2016	1,000,000	1,000,000
Seattle Economic Development Fund (Debt) Matures December 2016	750,000	750,000
South Dakota Rural Enterprise (Debt) Matures December 2016	500,000	500,000
Calvert Social Investment Foundation (Debt) Matures December 2011	500,000	500,000
Northland Foundation (Debt) Matures December 2011	1,000,000	1,000,000
Indian Land Tenure Foundation (Debt) Matures December 2013	250,000	-
	9,836,071	9,909,720
Interest Receivable (at Varying Rates up to 3.25% and Maturities through 2022)	36,048	34,551
	\$ 9,872,119	\$ 9,944,271

* Formerly known as Development Corporation for Children

** Formerly known as Minnesota Investment Network

As of March 31, 2009 and 2008 there were write offs of \$0- and \$18,805, respectively. New program-related investments totaling \$250,000 and \$0- were distributed in 2009 and 2008, respectively.

5. Use of Financial Instruments

The Foundation's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in its financial statements. These financial instruments may include equity, fixed income and foreign currency futures and options contracts, and foreign currency forward contracts. The Foundation uses derivatives to minimize the exposure of certain of its investments to adverse fluctuation in financial and currency markets, thus reducing portfolio risk. The Foundation has not designated any of its derivative financial instruments as hedging instruments.

Market risk represents potential loss from the decrease in the value of off-balance-sheet financial instruments. Credit risk represents potential loss from possible nonperformance by obligors and counterparties on the terms of their contracts. There continues to be market volatility due to changes in market conditions and other factors which results in credit and market risk.

The Foundation's international fixed income portfolio uses derivatives, which are not considered hedges, to minimize foreign currency risks through forward contracts. These contracts mature in less than 60 days. The Foundation's domestic portfolio uses options to minimize volatility; they are marked to market each reporting period. Realized and unrealized gains and losses related to the above instruments are recorded when they occur.

6. Grants

Grant activity for the years ended March 31, 2009 and 2008 is summarized as follows:

	2009	2008
Unpaid Commitments at Beginning of Year	\$ 25,000	\$ 20,000
Grant Appropriations, Net of Cancellations and Refunds (*)	11,912,043	24,067,900
Payments (*)	(11,937,043)	(24,062,900)
Unpaid Commitments at End of Year	\$ -	\$ 25,000

(*) Does not include program-related investments

Conditional grants made where conditions have not yet been met totaled \$36,058,024 and \$53,478,023 at March 31, 2009 and 2008, respectively.

7. Federal Excise Taxes and UBIT Distribution Requirements and Provision

Federal excise taxes for the years ended March 31, 2009 and 2008 consist of the following:

	2009	2008
Provision:		
Current Expense (Benefit)	\$ 89,431	\$ 186,472
Deferred	(930,500)	(361,890)
Total	\$ (841,069)	\$ (175,418)
Receivable (Liability):		
Current	\$ 131,629	\$ 217,258
Deferred	-	(930,500)
Total	\$ 131,629	\$ (713,242)

The Foundation is subject to the distribution requirements of the Internal Revenue Code. Accordingly, it must make qualified distributions within one year after the end of each fiscal year of at least 5% of the average market value of its assets as defined to avoid an additional excise tax. The Foundation has complied with these distribution requirements for the years ended March 31, 2009 and 2008.

8. Capital Stock

Included in the unrestricted net assets are 10 shares of capital stock. Under the terms established in the Foundation's by-laws, these 10 shares of capital stock have a zero par value. The five trustees hold all 10 shares as a unit. (Individuals do not hold separate identifiable shares.) No dividends are paid on these shares, nor do any net earnings of the Foundation benefit any stockholder.

9. Related Party Transactions

The Foundation compensates its board of directors for their governance responsibilities, for the additional duties they perform as officers of the Foundation and for the grant portfolio oversight responsibilities they assume as directors of the Foundation. In 2009 and 2008, this compensation totaled \$245,006 and \$147,071, respectively.

10. Program-Related and Nonprogram-Related Administrative Expenses

Program-related expenses relate to control and evaluation of grants, direct program services provided through the Foundation, as well as the salaries and expenses required to run the programs. Nonprogram-related administrative expenses include all expenses incidental to operating the Organization.

11. Employee Pension Plan

The Foundation has an employee pension plan operated as a self-funded money purchase plan. This is a defined noncontributory plan available to all employees who work a minimum of 1,000 hours per year, following one full year of service. The plan provides for an annual contribution of 11% of each eligible participant's earned compensation up to the IRS permissible maximum of \$230,000. Contributions to the plan for the years ended March 31, 2009 and 2008 were \$176,635 and \$187,791, respectively.

12. Lease Commitments

In March 2001, the Foundation entered into a 10-year noncancellable operating lease for office space, which commenced on May 6, 2002. Under this lease agreement, the Foundation pays operating costs for the leased property. This lease agreement has renewal options for up to 10 additional years. Total rent expense was \$229,186 for each of the years ended March 31, 2009 and 2008, net of amortization of the leasehold incentives of \$53,304 for each of the years ended March 31, 2009 and 2008.

Future minimum rental payments at March 31, 2009 are as follows:

Year ending March 31,	
2010	\$ 282,490
2011	282,490
2012	282,490
2013	23,541
Total	\$ 871,011

Four Bands Community Fund supports business development and financial literacy on the Cheyenne River Reservation.



New Strategic Plan Having reaffirmed its poverty reduction mission in early 2008, the Northwest Area Foundation board of directors in October approved a new Strategic Plan. Integral to the plan are three key outcomes: building the assets and wealth among people with low incomes, building capacity and leadership and improving public policy. The Foundation will pursue this mission by supporting the work of proven or promising nonprofit organizations within its eight-state region.

Grants Awarded In its fiscal year 2009 (April 1, 2008 to March 31, 2009), the Foundation made 143 grants totaling nearly \$12 million. Among them is a grant to the Montana Homeownership Network Inc. (NeighborWorks Montana), to support a statewide Homeownership Individual Development Account program that will help at least 50 families with low incomes purchase a house. Another grant focused on building assets and wealth went to Summit Academy OIC for HIRE Minnesota, a coalition of community organizations, for a campaign to ensure that at least one-quarter of the eco-friendly jobs created through economic stimulus go to minority and disadvantaged workers. The Foundation also directed to various grantees over \$11 million from its donor advised funds at community foundations in its eight-state region to support efforts to reduce poverty.

To learn more about grantee initiatives to reduce poverty and build sustainable prosperity, please see Pages 8 to 11 of this annual report.

Horizons III People from more than 100 small rural communities across seven states began assembling in the fall of 2008 for a third round of the Horizons program. With populations of 5,000 or fewer and poverty rates of at least 10 percent, the communities share a commitment to reduce poverty in their hometowns. The 18-month leadership development program will be completed in 2010.

Living with a Hole in Your Pocket Northwest Area Foundation, in partnership with CFED and Twin Cities Public Television, produced *Living with a Hole in Your Pocket*, an hour-long video documentary about ordinary people's struggles with regulations, policies and practices that create stumbling blocks – obstacles that prevent them from moving out of poverty. The project was nominated for an Emmy Award in the Topical Documentaries category of the Upper Midwest Region of the National Television Academy.

Mission-Related Investments Invest Northwest, a private equity fund created to meet the capital needs of established, middle-market growth and later-stage businesses, closed 2008 with 15 businesses in its portfolio. The Foundation began its mission-related investment program in 2004. In addition to having an investment return goal, this portfolio also has mission-related objectives in order to monitor the development and maintenance of an adequate workforce and the retention of local businesses within the eight-state region. Since 2004 there has been a 23 percent growth in jobs throughout companies in the portfolio, with a 79 percent increase in full-time jobs and a significant decrease in the number of part-time jobs.

Program-Related Investments The Foundation's program-related investments are a tool for building assets and wealth through community development financial institutions (CDFIs) that offer credit to small businesses and support affordable housing development in low-income and disadvantaged communities. For example, a program-related investment made to South Dakota Rural Enterprise Inc. supports revolving loans funds in South Dakota making microloans available to entrepreneurs. Training and coaching is provided through the Dakota Rising program that identifies entrepreneurial communities and their entrepreneurs.

Coming in 2010: *Grassroots & Groundwork* Conference

In 2008, more than 450 community leaders, local elected officials and nonprofits from across the country attended the third national *Grassroots & Groundwork* conference, which spotlights the practical models and tools communities are using to reduce poverty long term. The next conference is set for May 13–14, 2010, in Portland, Oregon. Please see Page 11 for details.



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