THE GREATER NEW ORLEANS FOUNDATION

Audits of Combined Financial Statements

December 31, 2011 and 2010

Contents

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Independent Auditor's Report

To the Board of Directors
The Greater New Orleans Foundation

We have audited the accompanying combined statements of financial position of The Greater New Orleans Foundation (the Foundation) as of December 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Greater New Orleans Foundation's management. Our responsibility is to express an opinion on these combined 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 audit 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 combined 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Greater New Orleans Foundation as of December 31, 2011 and 2010, 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.

LaPorte

A Professional Accounting Corporation

May 2, 2012

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and Cash Equivalents	**$ 1,700,531**	$ 1,438,171
Interest Receivable	**60,607**	70,041
Unconditional Promises to Give (Net of Discount of $180,806 and $542,870, for 2011 and 2010, Respectively)	**7,780,979**	8,277,048
Program-Related Receivable	**1,550,000**	1,550,000
Notes Receivable	**4,435,119**	5,174,305
Investments	**216,911,409**	216,874,017
Assets Held in Charitable Remainder Trusts and Lead Trust	**1,659,385**	1,765,053
Beneficial Interests in Remainder Trusts	**238,187**	217,564
Depreciable Assets, Net	**27,952**	36,287
Real Estate Held	**2,947,500**	862,500
Other Assets	**267,098**	254,341
Total Assets	**$ 237,578,767**	$ 236,519,327
Liabilities and Net Assets		
Liabilities		
Accounts Payable	**$ 219,517**	$ 208,008
Grants Payable	**1,920,357**	2,450,494
Liabilities Under Split-Interest Agreements	**1,049,176**	1,223,908
Agency Funds	**12,587,475**	12,847,928
Total Liabilities	**15,776,525**	16,730,338
Net Assets		
Unrestricted		
Endowment Purposes	**103,159,861**	97,173,066
Available for Grants	**106,808,117**	112,666,649
Temporarily Restricted	**11,834,264**	9,949,274
Total Net Assets	**221,802,242**	219,788,989
Total Liabilities and Net Assets	**$ 237,578,767**	$ 236,519,327

The accompanying notes are an integral part of these combined financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 12,797,437	$ 10,393,765	$ -	$ 23,191,202
Fees, Net	89,914	-	-	89,914
Interest and Dividends	3,656,385	25	-	3,656,410
Change in Value of Split-Interest Agreements	68,140	(29,334)	-	38,806
Net Realized and Unrealized Loss on Investments	(3,322,868)	-	-	(3,322,868)
Other Income	16,972	-	-	16,972
Net Assets Released from Restriction	8,479,466	(8,479,466)	-	-
Total Support and Revenues	21,785,446	1,884,990	-	23,670,436
Expenses				
Grants and Program Initiatives				
Grants	17,905,592	-	-	17,905,592
Program Initiatives	945,589	-	-	945,589
Administrative Expenses				
Program Services Support	1,347,205	-	-	1,347,205
Management and General	856,009	-	-	856,009
Fundraising	602,788	-	-	602,788
Total Expenses	21,657,183	-	-	21,657,183
Change in Net Assets	128,263	1,884,990	-	2,013,253
Net Assets, Beginning of Year	209,839,715	9,949,274	-	219,788,989
Net Assets, End of Year	$ 209,967,978	$ 11,834,264	$ -	$ 221,802,242

The accompanying notes are an integral part of these combined financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 14,517,049	$ 5,662,083	$ -	$ 20,179,132
Fees	94,684	-	-	94,684
Interest and Dividends	3,573,943	1,225	-	3,575,168
Change in Value of Split-Interest Agreements	(19,825)	697,878	-	678,053
Net Realized and Unrealized Gain on Investments	16,441,047	-	-	16,441,047
Other Income	36,922	-	-	36,922
Net Assets Released from Restriction	6,011,834	(6,011,834)	-	-
Total Support and Revenues	40,655,654	349,352	-	41,005,006
Expenses				
Grants and Program Initiatives				
Grants	17,536,594	-	-	17,536,594
Program Initiatives	422,809	-	-	422,809
Administrative Expenses				
Program Services Support	982,712	-	-	982,712
Management and General	994,921	-	-	994,921
Fundraising	576,361	-	-	576,361
Total Expenses	20,513,397	-	-	20,513,397
Change in Net Assets	20,142,257	349,352	-	20,491,609
Net Assets, Beginning of Year	189,697,458	9,599,922	-	199,297,380
Net Assets, End of Year	$ 209,839,715	$ 9,949,274	$ -	$ 219,788,989

The accompanying notes are an integral part of these combined financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets	**$ 2,013,253**	$ 20,491,609
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Net Realized and Unrealized Loss (Gain) on Investments	**3,322,868**	(16,441,047)
Loss on Sale of Property	**-**	300,396
Depreciation	**8,335**	8,588
Decrease in Accounts and Interest Receivable	**9,434**	2,909
Decrease (Increase) in Unconditional Promises to Give	**496,069**	(939,829)
Decrease in Notes Receivable	**739,186**	739,187
Increase in Program Related Receivable	**-**	(1,550,000)
Decrease in Assets Held in Trusts	**105,668**	533,304
Increase in Beneficial Interest in Remainder Trust	**(20,623)**	(2,959)
Increase in Real Estate Held	**(2,085,000)**	-
Increase in Other Assets	**(12,757)**	(12,479)
Increase in Accounts Payable	**11,509**	13,395
(Decrease) Increase in Grants Payable	**(530,137)**	83,945
Decrease in Liabilities Under Split-Interest Agreements	**(174,732)**	(907,801)
(Decrease) Increase in Agency Funds	**(260,453)**	2,197,490
Net Cash Provided by Operating Activities	**3,622,620**	4,516,708
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	**34,245,555**	70,764,326
Proceeds from Sale of Property	**-**	1,359,604
Purchase of Investments	**(37,605,815)**	(77,116,635)
Net Cash Used in Investing Activities	**(3,360,260)**	(4,992,705)
Net Increase (Decrease) in Cash and Cash Equivalents	**262,360**	(475,997)
Cash and Cash Equivalents, Beginning of Year	**1,438,171**	1,914,168
Cash and Cash Equivalents, End of Year	**$ 1,700,531**	$ 1,438,171

The accompanying notes are an integral part of these combined financial statements.

Note 1. Summary of Significant Accounting Policies

The Greater New Orleans Foundation and its supporting organizations (the Foundation) are a community foundation created to build charitable endowments and to assist the community in many areas. The Foundation administers many individual charitable funds, each established with a gift instrument describing either the general or specific purposes from which grants will be made. The Foundation's spending policy for endowed funds is based on a percentage of a twelve quarter rolling average. The Foundation improves the quality of life for all citizens of the area, now and for future generations. As a catalyst and resource for philanthropy, the Foundation demonstrates strategic grant making that invests in leaders and systematic change, builds irrevocable endowments for the community's changing issues and opportunities, and serves as a flexible and cost-effective vehicle for philanthropists to invest in their community.

Basis of Accounting

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Combined Financial Statements

The financial statements of the Foundation include the accounts of The Greater New Orleans Foundation and ten supporting organizations. All significant inter-company accounts and transactions have been eliminated. Collectively the entities are referred to as "the Foundation."

Supporting Organizations

Supporting organizations are affiliated charitable organizations, which enjoy the continuing involvement of their founders yet gain public charity status through their affiliation with the Foundation. The net assets of the supporting organizations at December 31, 2011 and 2010, were $24,518,327 and $23,475,756, respectively, and are included in the unrestricted - available for grants net asset classification.

Basis of Presentation

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In accordance with the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification, the Foundation's contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. However, under the Foundation's governing instruments, the assets are held as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to expend some part of the principal or appreciation. Accordingly, the combined financial statements classify all net assets that meet these criteria as unrestricted, but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

The Foundation received contributions of $1,707,529 in 2011 and $2,271,483 in 2010, designated for hurricane relief and for the rebuilding of New Orleans. At December 31, 2011 and 2010, these net assets were $5,446,158 and $6,984,212, respectively, and are included in temporarily restricted net assets in the Foundation's combined statement of financial position.

New Donations

New donations are accrued when all events required for the transfer of the assets from the donor to the Foundation have occurred.

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification, the Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the combined statements of financial position. Unrealized and realized gains and losses are included in the change in net assets. An investment in a non-publicly traded company is stated at the value established in the most recent valuation of the company.

Dividend and interest income is accrued when earned.

Fair Values of Financial Instruments

The Foundation follows the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 14).

The Foundation's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments - The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Unconditional Promises to Give - The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are reported at fair value initially and in subsequent periods because the Foundation elected the fair value option in accordance generally accepted accounting principles. When estimating the fair value of unconditional promises to give, management considers the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness. These elements are incorporated into a fair value measurement computed using present value techniques.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Promises to Give (Continued)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Program-Related Receivable

During 2010, the Foundation began awarding recoverable grants. The Foundation initiated this program as a way to maximize the impact of its granting activities in the community by recovering certain grants to distribute the funds again. The Foundation records the recoverable portion as a program-related receivable on the combined statement of financial position. Unrecoverable amounts are written off to grant expense in the period in which they are deemed unrecoverable. As of December 31, 2011, all program-related receivables are considered recoverable.

Depreciable Assets

Assets are recorded at cost. Depreciation is provided on the straight-line method. Computer and office furniture and equipment are depreciated over a five to seven-year period. Leasehold improvements are depreciated over the life of the lease.

Grants

Grants payable are grants authorized but unpaid at year-end. The recipients of these grants are subject to routine performance requirements.

Administrative Fees

The Foundation charges administrative fees to the various funds. Gross revenues are reported net of related expenses to the various funds. Net revenues from such assessments totaled $89,914 and $94,684 in 2011 and 2010, respectively.

Cash and Cash Equivalents

The Foundation considers investments in money market accounts to be cash equivalents, except for certain money market accounts maintained with investments at financial institutions which are reported as investments, as disclosed in Note 4.

Income Taxes

The Foundation is exempt from federal tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Gifts to the Foundation are tax deductible.

Endowment Funds

The *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). During 2010, the State of Louisiana enacted UPMIFA. Accordingly, management evaluated the effect of UPMIFA on the Foundation's reporting and disclosures. Management determined that no adjustment to beginning net assets was deemed necessary and no changes to the significant accounting policies were required.

Note 1. Summary of Significant Accounting Policies (Continued)

Endowment Funds (Continued)

The *Not-for-Profit Entities* Topic also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds, which are disclosed in Note 13.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Uncertain Tax Positions

The Foundation follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by the Foundation. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's federal tax returns for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2011, management evaluated the Foundation's tax position and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Reclassifications

Certain reclassifications have been made to the 2010 combined financial statements to conform to the 2011 presentation.

Note 2. Promises to Give

Unconditional promises to give at December 31, 2011 and 2010, respectively, are as follows:

	2011	2010
Receivable in Less than One Year	**$ 4,022,545**	$ 5,120,000
Receivable in One to Five Years	**3,339,240**	2,000,000
Receivable in More than Five years	**600,000**	1,699,918
Total Unconditional Promises to Give	**7,961,785**	8,819,918
Less Discounts to Net Present Value	**(180,806)**	(542,870)
Net Unconditional Promises to Give	**$ 7,780,979**	$ 8,277,048

Interest rate assumptions used to calculate the discounts on various promises to give range from 0.83% to 1.35%.

Note 3. Note Receivable

During 2009, the Foundation received an unsecured note receivable as a contribution from a donor. The note includes accrued interest at the rate of 2.25% per year. The note is payable in eight annual installments of $739,186 plus interest, due on June 30th of each year.

Maturities on the note receivable as of December 31, 2011, are as follows:

2012	$ 739,186
2013	739,186
2014	739,186
2015	739,186
2016	739,186
Thereafter	739,189
Total	$ 4,435,119

Note 4. Investments

Investments consist of the following as of December 31, 2011 and 2010:

2011	**Fair Market Value**	**Cost or Assigned Amount**
Equity Funds	**$ 114,792,217**	**$ 96,494,550**
Fixed Income Funds	**46,365,189**	**44,135,339**
Money Market Funds	**17,488,284**	**17,488,284**
Other Investments	**38,265,719**	**37,444,288**
Total	**$ 216,911,409**	**$ 195,562,461**

2010	Fair Market Value	Cost or Assigned Amount
Equity Funds	$ 121,221,004	$ 93,203,874
Fixed Income Funds	42,018,379	41,237,633
Money Market Funds	18,534,874	18,534,874
Other Investments	35,099,760	33,322,546
Total	$ 216,874,017	$ 186,298,927

Note 4. Investments (Continued)

Beginning in 2007 and continuing in 2010 and 2011, the Board of Directors decided to further diversify the investment portfolio by investing in certain Private Equity ventures. Through varying investment vehicles, the Foundation has committed $28,850,000 to these investments while funding $19,810,000. The Board continues to review additional investment opportunities while maintaining the targeted asset allocation within its investment policy.

During 2009, the Foundation assigned to a lending institution a security interest in certificates of deposit totaling $500,000 as collateral on behalf of a nonprofit organization. The balance of the certificates assigned was $515,441 and $509,001, as of December 31, 2011 and 2010, respectively.

Note 5. Depreciable Assets

Depreciable assets are summarized as follows by major classification at December 31st:

		2011		2010
Computer Equipment	**$**	**67,552**	$	67,552
Office Furniture and Equipment		**82,904**		82,904
Leasehold Improvements		**17,363**		17,363
		167,819		167,819
Less: Accumulated Depreciation		**(139,867)**		(131,532)
Net Depreciable Assets	**$**	**27,952**	$	36,287

Depreciation expense was $8,335 in 2011 and $8,588 in 2010.

Note 6. Real Estate Held

The Foundation received two donations of real estate during 2009 with appraised values of $1,160,000 and $500,000, respectively, both of which were sold in 2010. During 2011, the Foundations received an additional four pieces of real estate with an appraised value of $2,085,000. Total real estate held at December 31, 2011 and 2010, was $2,947,500 and $862,500, respectively.

Note 7. Agency Funds

Agency Funds are funds in which the Foundation acts as a trustee and has a duty to hold and manage assets for the benefit of a specific beneficiary. Activity related to agency funds for the years ended December 31, 2011 and 2010, are as follows:

	2011	2010
Funds Received	$ 1,988,753	$ 4,142,019
Interest and Dividends	184,412	123,708
Gain on Investments	132,376	1,032,618
Disbursements to Beneficiaries	(2,501,270)	(3,041,728)
Administrative Fees	(64,724)	(59,127)
Net Change	(260,453)	2,197,490
Agency Funds		
Beginning of Year	12,847,928	10,650,438
End of Year	$ 12,587,475	$ 12,847,928

Note 8. Split-Interest Agreements

The Foundation's split-interest agreements at December 31, 2011, include nine charitable remainder unitrusts, three charitable remainder annuity trusts and two charitable gift annuities. The Foundation is named trustee on seven of the unitrusts, the three annuity trusts and the two gift annuities.

Charitable remainder trusts (unitrusts and annuity trusts) provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily restricted contribution in the combined statement of activities in the period the trust is established. Assets held in the charitable remainder trusts were $1,659,385 and $1,765,053, at December 31, 2011 and 2010, respectively, and are reported at fair market value in the Foundation's combined statements of financial position. Changes in fair market value of charitable remainder trusts are reflected as a change in net assets in the Foundation's combined statements of activities. On a quarterly basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments $947,159 and $1,002,589, at December 31, 2011 and 2010, respectively, is calculated using discount rates that range from 3.8% to 10.0% and applicable mortality tables.

Note 8. Split-Interest Agreements (Continued)

The net asset values of the charitable remainder trusts for which the Foundation is not the trustee were $238,187 and $217,564, at December 31, 2011 and 2010, respectively. These trusts are reported as beneficial interests in remainder trusts in the Foundation's combined statements of financial position and are stated at fair market value of the assets held in trust less the present value of future payments to the designated income beneficiaries.

The portion of net assets related to the split-interest agreements that are classified as temporarily restricted net assets at December 31st are as follows:

	2011	2010
Assets Held in Charitable Remainder Trusts	**$ 1,659,385**	$ 1,765,053
Beneficial Interests in Remainder Trusts	**238,187**	217,564
Total Assets	**1,897,572**	1,982,617
Liabilities Under Charitable Remainder Trusts	**947,159**	1,002,589
Total Liabilities	**947,159**	1,002,589
Temporarily Restricted Net Assets	**$ 950,413**	$ 980,028

Charitable gift annuities were established in 1998, 2003, and 2007 in which assets were transferred to the Foundation. During 2011, the gift annuity established in 1998 terminated with the remaining assets becoming unrestricted. As of December 31, 2011, the Foundation pays $11,169 annually to the donors until the donors' death. The assets of $144,155 and $199,453, at December 31, 2011 and 2010, respectively, are included in investments and the present value of estimated future payments of $102,017 and $221,319, at December 31, 2011 and 2010, respectively, are included in the liabilities under split-interest agreements in the Foundation's combined statements of financial position.

Note 9. Restricted Assets

Temporarily restricted net assets as of December 31st have the following donor restrictions on them:

		2011		2010
Restricted for the Purpose of:				
Hurricane Relief	**$**	**5,446,158**	$	6,984,212
Program Funds		**5,437,693**		1,985,034
Charitable Remainder Trusts		**950,413**		980,028
Total	**$**	**11,834,264**	$	9,949,274

Note 10. Release of Restricted Assets

Net assets were released from restrictions by meeting the time restrictions or by incurring expenses satisfying the restricted purposes.

		2011		2010
Restrictions Accomplished:				
Hurricane Relief Grants and Fees	**$**	**3,206,607**	$	4,272,714
Program Funds Grants and Fees		**5,272,578**		1,405,566
Charitable Lead Trust Grants		**281**		333,554
Total	**$**	**8,479,466**	$	6,011,834

Note 11. Building Lease

The Foundation leases office space through June 30, 2014. Rental expense was $161,885 in 2011 and $154,610 in 2010, respectively. The Foundation subleased a portion of its space for a total of $33,257 in 2011 and $34,042 in 2010, respectively. The sublease arrangement is currently on a monthly basis.

Minimum future obligations on the lease in effect as of December 31, 2011, are as follows:

2012	$	128,340
2013		128,340
2014		64,170
Total	$	320,850

Note 12. Pension Plan

The Foundation has a defined contribution pension plan for all employees. Employees are eligible to participate in the plan after completing six months of service. This plan specifies that the Foundation contribute on behalf of the employees based on their annual compensation. The Foundation's contribution was 8% of the employees' compensation for 2011 and 2010. Contributions were $123,724 and $110,561, for 2011 and 2010, respectively.

Note 13. Endowment Funds

As of December 31, 2011 and 2010, respectively, the Board of Directors had designated $103,159,861 and $97,173,066, of unrestricted net assets for endowment purposes. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets.

The Foundation follows a Total Return Spending Policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2011 and 2010 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

The primary financial objective for the Foundation is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well diversified asset mix, which includes equity securities, fixed income securities and alternative investments, that is intended to meet this objective. The Foundation has established a 5% real rate of return objective for the Foundation's portfolio. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31, 2011 and 2010, were as follows:

	2011	2010
Unrestricted Endowment Net Assets, Beginning of Year	**$ 97,173,066**	$ 95,609,465
Contributions	**5,794,959**	3,328,972
Net Transfers	**191,836**	(1,765,371)
Unrestricted Endowment Net Assets, End of Year	**$ 103,159,861**	$ 97,173,066

Note 14. Fair Value of Financial Instruments

The Foundation's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. See Note 1 for a description of the Foundation's policies and valuation procedures.

The valuation of the Foundation's assets measured at fair value on a recurring basis at December 31, 2011 and 2010 are as follows:

2011	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
Equity Funds	**$ 60,602,506**	**$ 54,189,711**	**$ -**	**$ 114,792,217**
Fixed Income Funds	**46,365,189**	**-**	**-**	**46,365,189**
Money Market Funds	**17,488,284**	**-**	**-**	**17,488,284**
Other Investments	**171,055**	**19,020,741**	**19,073,923**	**38,265,719**
Unconditional Promises to Give, Net	**-**	**-**	**7,780,979**	**7,780,979**
Total	**$124,627,034**	**$ 73,210,452**	**$ 26,854,902**	**$ 224,692,388**

2010	Level 1	Level 2	Level 3	Net Balance
Equity Funds	$ 63,267,083	$ 57,953,921	$ -	$ 121,221,004
Fixed Income Funds	42,018,379	-	-	42,018,379
Money Market Funds	18,534,874	-	-	18,534,874
Other Investments	-	19,716,570	15,383,190	35,099,760
Unconditional Promises to Give, Net	-	-	8,277,048	8,277,048
Total	$123,820,336	$ 77,670,491	$ 23,660,238	$ 225,151,065

The changes in investments and unconditional promises to give measured at fair value for which the Foundation has used Level 3 inputs to determine fair value are as follows:

2011	**Level 3 Beginning Balance**	**Net Realized and Unrealized Gains (Losses)**	**Net Payments and Gifts**	**Net Purchases and Sales**	**Net Transfers In (Out) of Level 3**	**Level 3 Ending Balance**
Other Investments	**$ 15,383,190**	**$ 60,733**	**$ -**	**$ 3,630,000**	**$ -**	**$ 19,073,923**
Unconditional Promises to Give, Net	**8,277,048**	**-**	**(496,069)**	**-**	**-**	**7,780,979**
Total	**$ 23,660,238**	**$ 60,733**	**$ (496,069)**	**$ 3,630,000**	**$ -**	**$ 26,854,902**

2010	Level 3 Beginning Balance	Net Realized and Unrealized Gains (Losses)	Net Payments and Gifts	Net Purchases and Sales	Net Transfers In (Out) of Level 3	Level 3 Ending Balance
Other Investments	$ 9,874,446	$ 1,943,842	$ -	$ 3,564,902	$ -	$ 15,383,190
Unconditional Promises to Give, Net	7,337,219	-	820,000	-	119,829	8,277,048
Total	$ 17,211,665	$ 1,943,842	$ 820,000	$ 3,564,902	$ 119,829	$ 23,660,238

Note 14. Fair Value of Financial Instruments (Continued)

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB Accounting Standards Codification. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. Listed below are the carrying amounts of financial instruments which approximate fair value.

	December 31, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	**$ 1,700,531**	**$ 1,700,531**	$ 1,438,171	$ 1,438,171
Interest Receivable	**60,607**	**60,607**	70,041	70,041
Unconditional Promises to Give, Net	**7,780,979**	**7,780,979**	8,277,048	8,277,048
Notes Receivable	**4,435,119**	**4,435,119**	5,174,305	5,174,305
Program-Related Receivable	**1,550,000**	**1,550,000**	1,550,000	1,550,000
Investments	**216,911,409**	**216,911,409**	216,874,017	216,874,017
Assets Held in Charitable Remainder Trusts and Lead Trust	**1,659,385**	**1,659,385**	1,765,053	1,765,053
Beneficial Interests in Remainder Trusts	**238,187**	**238,187**	217,564	217,564
Financial Liabilities				
Accounts Payable	**$ 219,517**	**$ 219,517**	$ 208,808	$ 208,808
Grants Payable	**1,920,357**	**1,920,357**	2,450,494	2,450,494
Liabilities Under Split-Interest Agreements	**1,049,176**	**1,049,176**	1,223,908	1,223,908

The carrying value of cash and cash equivalents, interest receivable, program-related receivable, accounts payable and grants payable approximate fair value because of the terms and relatively short maturity of these financial instruments.

Note 15. Concentrations

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

During the year ended December 31, 2011, the Foundation had a concentration in contribution revenue from two donors, representing approximately 34% of its contribution revenue. Contributions from these donors totaled approximately $8,000,000. In 2010, contributions from two donors totaled approximately $6,000,000, representing approximately 30% of its contribution revenue.

Unconditional promises to give at December 31, 2011 include approximately $7,600,000 from five donors, representing 95% of total unconditional promises to give. Unconditional promises to give at December 31, 2010 include approximately $8,020,000 from three donors, representing 91% of total unconditional promises to give.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, May 2, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.