THE GREATER NEW ORLEANS FOUNDATION

Audits of Combined Financial Statements

December 31, 2012 and 2011

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Board of Directors
The Greater New Orleans Foundation

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Greater New Orleans Foundation (the Foundation) which comprise the combined statements of financial position as of December 31, 2012 and 2011, and the related combined statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 29, 2013

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and Cash Equivalents	$ 3,202,926	$ 1,700,531
Interest Receivable	77,220	60,607
Unconditional Promises to Give (Net of Discount of $115,945 and $180,806, for 2012 and 2011, Respectively)	5,763,004	7,780,979
Program-Related Receivable	650,000	1,550,000
Notes Receivable	3,695,930	4,435,119
Investments	253,365,355	216,911,409
Assets Held in Charitable Remainder Trusts	1,741,232	1,659,385
Beneficial Interests in Remainder Trusts and Lead Trusts	2,751,538	238,187
Property and Equipment, Net	1,979,718	27,952
Real Estate Held	2,947,500	2,947,500
Other Assets	280,137	267,098
Total Assets	$ 276,454,560	$ 237,578,767
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$ 256,882	$ 219,517
Grants Payable	822,578	1,920,357
Liabilities Under Split-Interest Agreements	937,928	1,049,176
Agency Funds	14,284,330	12,587,475
Total Liabilities	16,301,718	15,776,525
Net Assets		
Unrestricted		
Endowment Purposes	110,787,773	103,159,861
Available for Grants	137,619,281	106,808,117
Temporarily Restricted	11,745,788	11,834,264
Total Net Assets	260,152,842	221,802,242
Total Liabilities and Net Assets	$ 276,454,560	$ 237,578,767

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 30,103,346	$ 8,606,439	$ -	$ 38,709,785
Fees, Net	88,024	-	-	88,024
Interest and Dividends	5,248,168	5,506	-	5,253,674
Change in Value of Split-Interest Agreements	(85,700)	316,162	-	230,462
Net Realized and Unrealized Gain on Investments	17,320,063	-	-	17,320,063
Other Income	25,607	-	-	25,607
Net Assets Released from Restriction	9,016,583	(9,016,583)	-	-
Total Support and Revenues	61,716,091	(88,476)	-	61,627,615
Expenses				
Grants and Program Initiatives				
Grants	19,006,768	-	-	19,006,768
Program Initiatives	1,285,697	-	-	1,285,697
Administrative Expenses				
Program Services Support	1,497,415	-	-	1,497,415
Management and General	880,140	-	-	880,140
Fundraising	606,995	-	-	606,995
Total Expenses	23,277,015	-	-	23,277,015
Change in Net Assets	38,439,076	(88,476)	-	38,350,600
Net Assets, Beginning of Year	209,967,978	11,834,264	-	221,802,242
Net Assets, End of Year	$ 248,407,054	$ 11,745,788	$ -	$ 260,152,842

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 Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in Net Assets	$ 38,350,600	$ 2,013,253
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Net Realized and Unrealized (Gain) Loss on Investments	(17,320,063)	3,322,868
Depreciation	8,335	8,335
Decrease (Increase) in:		
Interest Receivable	(16,613)	9,434
Unconditional Promises to Give	2,017,975	496,069
Program Related Receivable	900,000	-
Notes Receivable	739,189	739,186
Assets Held in Charitable Remainder Trusts	(81,847)	105,668
Beneficial Interest in Remainder Trust and Lead Trusts	(2,513,351)	(20,623)
Real Estate Held	-	(2,085,000)
Other Assets	(13,039)	(12,757)
Increase (Decrease) in:		
Accounts Payable	37,365	11,509
Grants Payable	(1,097,779)	(530,137)
Liabilities Under Split-Interest Agreements	(111,248)	(174,732)
Agency Funds	1,696,855	(260,453)
Net Cash Provided by Operating Activities	22,596,379	3,622,620
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	49,356,370	34,245,555
Purchase of Investments	(68,490,253)	(37,605,815)
Purchase of Property	(1,960,101)	-
Net Cash Used in Investing Activities	(21,093,984)	(3,360,260)
Net Increase in Cash and Cash Equivalents	1,502,395	262,360
Cash and Cash Equivalents, Beginning of Year	1,700,531	1,438,171
Cash and Cash Equivalents, End of Year	$ 3,202,926	$ 1,700,531

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, 2012 and 2011, were $27,686,250 and $24,518,327, 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 $32,915 in 2012 and $1,707,529 in 2011, designated for hurricane relief and for the rebuilding of New Orleans. At December 31, 2012 and 2011, these net assets were $3,665,498 and $5,446,158, respectively, and are included in temporarily restricted net assets in the Foundation's combined statements 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 – Pricing inputs are quoted prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are therefore classified as Level 1, include actively traded equities, certain mutual funds, certain U.S. government obligations, and certain money market securities.

Level 2 – Pricing inputs are other than quoted prices in active markets for identical assets, but the inputs are either directly or indirectly observable. Quoted prices are available but the assets are traded less frequently and thus valuation is accomplished using similar securities, the parameters of which can be directly observed. Also included in Level 2 are investment measured using a net asset value (NAV) per share, or its equivalent that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 – Pricing inputs are not observable in the market. Thus valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments and contributions expected to be collected in future periods. When observable prices are not available for these assets, the Foundation uses one or more valuation techniques (e.g. market approach, income approach or cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

The inputs used by the Foundation in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs as an input, although those costs may have been capitalized as part of the security's cost. Due to the lack of observable inputs, assumptions used by the Foundation may significantly impact the resulting fair value and, therefore, the amounts reported in the Foundation's accompanying combined financial statements.

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).

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.

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, 2012, all program-related receivables are considered recoverable.

Property and Equipment, Net

Assets greater than $2,500 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 $88,024 and $89,914 in 2012 and 2011, 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). This Topic 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 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2012, 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 2011 combined financial statements to conform to the 2012 presentation.

Note 2. Promises to Give

Unconditional promises to give at December 31, 2012 and 2011, respectively, are as follows:

		2012		2011
Receivable in Less than One Year	**$**	**2,948,608**	$	4,022,545
Receivable in One to Five Years		**2,630,341**		3,339,240
Receivable in More than Five years		**300,000**		600,000
Total Unconditional Promises to Give		**5,878,949**		7,961,785
Less Discounts to Net Present Value		**(115,945)**		(180,806)
Net Unconditional Promises to Give	**$**	**5,763,004**	$	7,780,979

Interest rate assumptions used to calculate the discounts on various promises to give range from 0.72% to 1.18%.

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, 2012, are as follows:

2013	$	739,186
2014		739,186
2015		739,186
2016		739,186
2017		739,186
Thereafter		-
Total	$	3,695,930

Note 4. Investments

Investments consist of the following as of December 31, 2012 and 2011:

2012	**Fair Market Value**	**Cost or Assigned Amount**
Common Stocks	**$ 27,324,259**	**$ 22,263,410**
Equity Mutual Funds	**47,228,968**	**37,052,400**
Bond Mutual Funds	**25,433,750**	**25,085,656**
Corporate and Treasury Bonds	**27,767,086**	**25,429,504**
Money Market Funds	**15,405,517**	**15,392,558**
Pooled Mutual Fund	**58,885,656**	**45,298,961**
Private Equity Funds	**21,980,088**	**23,010,138**
Hedge Funds	**11,125,096**	**8,801,173**
Pooled Investment Fund	**18,206,666**	**16,500,000**
Other Investments	**8,269**	**6,250**
Total	**$ 253,365,355**	**$ 218,840,050**

2011	Fair Market Value	Cost or Assigned Amount
Common Stocks	$ 17,931,579	$ 15,023,541
Equity Mutual Funds	42,670,927	35,680,861
Bond Mutual Funds	24,923,542	22,832,047
Corporate and Treasury Bonds	21,441,646	21,303,292
Money Market Funds	17,488,284	17,488,284
Pooled Mutual Fund	54,189,711	45,790,147
Private Equity Funds	19,073,923	19,810,000
Hedge Funds	10,038,820	9,009,288
Pooled Investment Fund	8,981,921	8,500,000
Other Investments	171,055	125,000
Total	$ 216,911,408	$ 195,562,460

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 $518,043 and $515,441, as of December 31, 2012 and 2011, respectively.

Note 5. Property and Equipment, Net

Property and equipment are summarized as follows by major classification at December 31st:

	2012	2011
Land	**$ 1,960,101**	$ -
Computer Equipment	**67,552**	67,552
Office Furniture and Equipment	**82,904**	82,904
Leasehold Improvements	**17,363**	17,363
	2,127,920	167,819
Less: Accumulated Depreciation	**(148,202)**	(139,867)
Property and Equipment, Net	**$ 1,979,718**	$ 27,952

Depreciation expense was $8,335 in 2012 and 2011.

Note 6. Real Estate Held

During 2011, the Foundations received four pieces of real estate with an appraised value of $2,085,000. Total real estate held at December 31, 2012 and 2011, was $2,947,500.

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, 2012 and 2011 are as follows:

	2012	2011
Funds Received	**$ 3,050,031**	$ 1,988,753
Interest and Dividends	**335,972**	184,412
Gain on Investments	**958,585**	132,376
Disbursements to Beneficiaries	**(2,583,410)**	(2,501,270)
Administrative Fees	**(64,323)**	(64,724)
Net Change	**1,696,855**	(260,453)
Agency Funds		
Beginning of Year	**12,587,475**	12,847,928
End of Year	**$ 14,284,330**	$ 12,587,475

Note 8. Split-Interest Agreements

The Foundation's split-interest agreements at December 31, 2012, include nine charitable remainder unitrusts, two charitable remainder annuity trusts, three charitable gift annuities, and three charitable lead annuity trusts. The Foundation is named trustee on seven of the unitrusts, the two remainder annuity trusts and the three 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 $1,743,972 and $1,659,385, at December 31, 2012 and 2011, 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 $741,171 and $947,159, at December 31, 2012 and 2011, respectively, is calculated using discount rates that range from 3.8% to 10.0% and applicable mortality tables.

The net asset values of the charitable remainder trusts for which the Foundation is not the trustee were $265,762 and $238,187, at December 31, 2012 and 2011, respectively. These trusts are reported as beneficial interests in remainder trusts and lead 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.

During 2012 the Foundation became the beneficiary of three charitable lead annuity trusts which are held by an unrelated third party. The beneficial interests in the trusts totaled $2,485,776 at December 31, 2012. The trusts annually pay 5.0 to 9.3% of the respective initial net fair market values of the trusts. These assets are reported at the present value of the estimated future distributions expected to be received by the Foundation in the Foundation's combined statements of financial position.

Note 8. Split-Interest Agreements (Continued)

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:

	2012	2011
Assets Held in Charitable Remainder Trusts	**$ 1,741,232**	$ 1,659,385
Beneficial Interests in Remainder Trusts and Lead Trusts	**2,751,538**	238,187
Total Assets	**4,492,770**	1,897,572
Liabilities Under Charitable Remainder Trusts	**741,171**	947,159
Total Liabilities	**741,171**	947,159
Temporarily Restricted Net Assets	**$ 3,751,599**	$ 950,413

Charitable gift annuities were established in 2003, 2007 and 2012 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, 2012, the Foundation pays $18,988 annually to the donors until the donors' death. The assets of $305,518 and $144,155, at December 31, 2012 and 2011, respectively, are included in investments and the present value of estimated future payments of $196,757 and $102,017, at December 31, 2012 and 2011, 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:

	2012	2011
Restricted for the Purpose of:		
Hurricane Relief	**$ 3,665,498**	$ 5,446,158
Program Funds	**4,328,691**	5,437,693
Charitable Remainder Trusts	**3,751,599**	950,413
Total	**$ 11,745,788**	$ 11,834,264

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.

		2012		2011
Restrictions Accomplished:				
Hurricane Relief Grants and Fees	**$**	**1,819,037**	$	3,206,607
Program Funds Grants and Fees		**7,098,883**		5,272,578
Charitable Lead Trust Grants		**98,663**		281
Total	**$**	**9,016,583**	$	8,479,466

Note 11. Building Lease

The Foundation leases office space through June 30, 2014. Rental expense was $149,415 in 2012 and $161,885 in 2011, respectively. The Foundation subleased a portion of its space for a total of $32,662 in 2012 and $33,257 in 2011, respectively. The sublease arrangement is currently on a monthly basis.

Minimum future obligations on the lease in effect as of December 31, 2012, are as follows:

2013	$	128,340
2014		64,170
Total	$	192,510

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 2012 and 2011. Contributions were $136,571 and $123,724, for 2012 and 2011, respectively.

Note 13. Endowment Funds

As of December 31, 2012 and 2011, respectively, the Board of Directors had designated $110,787,773 and $103,159,861, 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.

Note 13. Endowment Funds (Continued)

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 2012 and 2011 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, 2012 and 2011, were as follows:

	2012	2011
Unrestricted Endowment Net Assets, Beginning of Year	**$ 103,159,861**	$ 97,173,066
Contributions	**8,127,912**	5,794,959
Net Transfers	**(500,000)**	191,836
Unrestricted Endowment Net Assets, End of Year	**$ 110,787,773**	$ 103,159,861

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.

Note 14. Fair Value of Financial Instruments (Continued)

The valuation of the Foundation's assets measured at fair value on a recurring basis at December 31, 2012 and 2011 are as follows:

2012	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
Common Stocks	**$ 27,324,259**	**$ -**	**$ -**	**$ 27,324,259**
Equity Mutual Funds	**47,228,968**	**-**	**-**	**47,228,968**
Bond Mutual Funds	**25,433,750**	**-**	**-**	**25,433,750**
Corporate and Treasury Bonds	**-**	**27,767,086**	**-**	**27,767,086**
Money Market Funds	**15,405,517**	**-**	**-**	**15,405,517**
Pooled Mutual Fund	**-**	**58,885,656**	**-**	**58,885,656**
Private Equity Funds	**-**	**-**	**21,980,088**	**21,980,088**
Hedge Funds	**-**	**11,125,096**	**-**	**11,125,096**
Pooled Investment Fund	**-**	**18,206,666**	**-**	**18,206,666**
Other Investments	**8,269**	**-**	**-**	**8,269**
Unconditional Promises to Give, Net	**-**	**-**	**5,763,004**	**5,763,004**
Total	**$ 115,400,763**	**$ 115,984,504**	**$ 27,743,092**	**$ 259,128,359**

2011	Level 1	Level 2	Level 3	Net Balance
Common Stocks	$ 17,931,579	$ -	$ -	$ 17,931,579
Equity Mutual Funds	42,670,927	-	-	42,670,927
Bond Mutual Funds	24,923,542	-	-	24,923,542
Corporate and Treasury Bonds	-	21,441,646	-	21,441,646
Money Market Funds	17,488,284	-	-	17,488,284
Pooled Mutual Fund	-	54,189,711	-	54,189,711
Private Equity Funds	-	-	19,073,923	19,073,923
Hedge Funds	-	10,038,820	-	10,038,820
Pooled Investment Fund	-	8,981,921	-	8,981,921
Other Investments	171,055	-	-	171,055
Unconditional Promises to Give, Net	-	-	7,780,979	7,780,979
Total	$ 103,185,387	$ 94,652,098	$ 26,854,902	$ 224,692,387

The FASB issued a standards update pertaining to Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share. Fair values are determined by the use of calculated net asset value per ownership share.

Note 14. Fair Value of Financial Instruments (Continued)

The Foundation's investments at December 31, 2012, that feature net asset value per share in Level 2 and Level 3 are as follows:

	Fair Value (in Thousands)	Unfunded Commitments	Redemption Terms	Redemption Notice Period
Pooled Mutual Fund (a)	$ 58,885,656	N/A	Current	N/A
Private Equity Funds (b)	21,980,088	$ 10,839,862	None	N/A
Hedge Funds (c)	11,125,096	N/A	December 31, 2014	100 Days
Pooled Investment Fund (d)	18,206,666	N/A	Quarterly	180 Days
Total	$ 110,197,506	$ 10,839,862		

(a) The multi-asset fund's strategy seeks to achieve a total return net of expenses that, over a majority of market cycles, exceeds inflation plus 5% per annum by employing a globally diversified portfolio. Such diversification is designed to constitute a hedge against catastrophic losses. The short-term fund invests almost exclusively in U.S. Treasury bills as it seeks to track closely gross of fees and expenses of BofA Merrill Lynch U.S. 6-Month Treasury Bill Index.

(b) Each fund has a different objective, mainly to provide returns materially greater than the MSCI world index or to generate a net IRR of inflation plus 500 basis points over the life of the fund.

(c) The main objective of these funds is to generate over rolling three-year periods an annualized return equal to or greater than 91-day Treasury bills plus 5%, net of all costs.

(d) The fund is a core endowment solution with exposure to a globally diverse mix of public and private assets. Fund measures its performance versus a constructed index.

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:

2012	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
Private Equity Funds	**$ 19,073,923**	**$ 2,571,764**	**$ -**	**$ 334,401**	**$ -**	**$ 21,980,088**
Unconditional Promises to Give, Net	**7,780,979**	**-**	**(2,017,975)**	**-**	**-**	**5,763,004**
Total	**$ 26,854,902**	**$ 2,571,764**	**$ (2,017,975)**	**$ 334,401**	**$ -**	**$ 27,743,092**

Note 14. Fair Value of Financial Instruments (Continued)

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
Private Equity Funds	$ 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

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, 2012		December 31, 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	**$ 3,202,926**	**$ 3,202,926**	$ 1,700,531	$ 1,700,531
Interest Receivable	**77,220**	**77,220**	60,607	60,607
Unconditional Promises to Give, Net	**5,763,004**	**5,763,004**	7,780,979	7,780,979
Program-Related Receivable	**650,000**	**650,000**	1,550,000	1,550,000
Notes Receivable	**3,695,930**	**3,695,930**	4,435,119	4,435,119
Investments	**253,365,355**	**253,365,355**	216,911,409	216,911,409
Assets Held in Charitable Remainder Trusts and Lead Trust	**1,741,232**	**1,741,232**	1,659,385	1,659,385
Beneficial Interests in Remainder Trusts	**2,751,538**	**2,751,538**	238,187	238,187
Financial Liabilities				
Accounts Payable	**$ 256,882**	**$ 256,882**	$ 219,517	$ 219,517
Grants Payable	**822,578**	**822,578**	1,920,357	1,920,357
Liabilities Under Split-Interest Agreements	**937,928**	**937,928**	1,049,176	1,049,176

The carrying value of cash and cash equivalents, interest receivable, program-related receivable, notes 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, 2012, the Foundation had a concentration in contribution revenue from one donor, representing approximately 42% of its contribution revenue. Contributions from this donor totaled approximately $18,100,000. In 2011, contributions from two donors totaled approximately $8,000,000, representing approximately 34% of its contribution revenue.

Note 15. Concentrations (Continued)

Unconditional promises to give at December 31, 2012 include approximately $5,430,000 from five donors, representing 97% of total unconditional promises to give. Unconditional promises to give at December 31, 2011 include approximately $7,600,000 from five donors, representing 95% of total unconditional promises to give.

Note 16. Environmental Remediation Costs

The Foundation purchased land during 2012 upon which it intends to construct a new building for use in the community. This site has known environmental issues, the costs of which to remediate are not estimable at this time. No liability has been recorded as these costs are not yet determinable. Management intends to obtain adequate funding to cover the costs of the remediation.

Note 17. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, April 29, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after April 29, 2013 have been evaluated for inclusion in these combined financial statements.